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DROUGHT LEGISLATION—S. 2631

HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

SECOND SESSION

ON

S. 2631

A BILL TO PROVIDE DROUGHT ASSISTANCE TO AGRICULTURAL PRODUCERS, AND FOR OTHER PURPOSES

JULY 12, 1988

Printed for the use of the
Committee on Agriculture, Nutrition, and Forestry

U.S. GOVERNMENT PRINTING OFFICE
92-680 WASHINGTON : 1989

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

S161-14

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DROUGHT LEGISLATION—S. 2631

TUESDAY, JULY 12, 1988

U.S. Senate,
Committee on Agriculture, Nutrition, and Forestry,
Washington, DC.

The committee met, pursuant to notice, at 1:07 p.m., in room SR-332, Russell Senate Office Building, Hon. Patrick J. Leahy (chairman of the committee) presiding.

Present or submitting a statement: Senators Leahy, Melcher, Pryor, Heflin, Harkin, Conrad, Fowler, Daschle, Breaux, Lugar, Cochran, Boschwitz, McConnell, Bond, and Karnes.

STATEMENT OF HON. PATRICK J. LEAHY, A U.S. SENATOR FROM VERMONT

The Chairman. The committee will come to order.

I welcome you all. If the distinguished Senator from Minnesota were here, I was going to announce this as the "Rudy Boschwitz Memorial Table"; we finally got one that nobody has to straddle a leg, I don't think—they're not supposed to, anyway.

The Secretary is here with us and has to leave for a Cabinet meeting, and considering the circumstances of drought, his attendance is absolutely essential at the meeting. He told me if he could get out of here at twenty of two, I understand, Mr. Secretary, it would still make it possible for you to get there. And Mr. Myers will stay here after that.

What I'd like to do, while the Secretary has seen the draft of the legislation we have introduced, we would like to hear from him to the extent he would like, and I would like to make it possible for him to go first. I will yield, of course, to Senator Lugar first.

I do not have an opening statement. I have made my statement about the drought; we all have. I want to again thank the Secretary for his efforts in working with us and his staff working with ours over the weekend. The bipartisan staff of the committee worked straight through the weekend trying to put together this legislation, and Mr. Secretary, I do appreciate everything you have done to help us out in that.

I yield to Senator Lugar.

STATEMENT OF HON. RICHARD G. LUGAR, A U.S. SENATOR FROM INDIANA

Senator Lugar. Mr. Chairman, I'll not make an opening statement. Just for the record and for those participating in the hearing, they should know that at 11 a.m. or thereabouts, the chairman and I and other members of the committee introduced legislation officially on the floor of the Senate, dealing with drought. We had a press conference in which many Members participated. We were privileged to have a meeting with the President of the United States and the Secretary of Agriculture yesterday afternoon. And once again, they reiterated their support as an administration of our efforts and commended those.

So prior to this hearing today, it seems to me we have had some constructive work, working with the Congress and the administration and certainly with each other, and the staffs are to be commended.

There is legislation now before the Senate with at least 38 Senators cosponsoring, and that number apparently is growing. I am privileged to be a part of that, with the chairman, and I appreciate his leadership.

The CHAIRMAN. Mr. Secretary, it's all yours.

STATEMENT OF RICHARD E. LYNG, SECRETARY OF AGRICULTURE, U.S. DEPARTMENT OF AGRICULTURE, ACCOMPANIED BY PETER C. MYERS, ASSISTANT SECRETARY, AND RICHARD W. GOLDBERG, ACTING UNDER SECRETARY FOR INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS

Secretary LYNG. Well, thank you, Mr. Chairman.

I would like to repeat what I have said before, that we owe you, and other members of the committee, a debt of gratitude, Senator Lugar particularly, for moving along this bicameral, bipartisan approach in an effort to achieve some equitable and compassionate assistance for victims of this terrible drought.

I think I would be derelict if I didn't compliment the staff of the committee and of the members of the committee for the work that they did in the last few days to move this along. It is not a simple piece of legislation; it is one that has a number of things in it, and I think especially considering the time that they had, they have done a commendable job. I would include in that some of the staff people from the U.S. Department of Agriculture who have also worked on this.

But the sum product of it, Mr. Chairman and members of the committee, is that we have a bill that is responsible, and that does have the support of the administration. It seems to me that it will be responsive. It will be expensive, but it will also be something that we can afford, given the need and also given the amount of funding that we have in the budget for this year and next year for agriculture expenditures.

With that, I don't have anything more to say. I received a copy of the draft just half an hour ago, and we would appreciate the opportunity for our technicians to pore over it a bit and continue to work with your staff, which they are doing right now.

But other than that, I have nothing further, and I'd be happy to try to respond to any questions that anyone might have.

[The prepared statement of Secretary Lyng follows:]

Statement of Richard E. Lyng
Secretary of Agriculture
before the
Committee on Agriculture, Nutrition, and Forestry
United States Senate
Washington, D.C. 20510
July 12, 1988

Mr. Chairman and Members of the Committee, I appreciate the opportunity to appear before you at this hearing to discuss drought-related legislation. I would like to start by giving a very brief overview of drought conditions. Then, I will summarize drought assistance programs implemented by the Department of Agriculture and review supplies of major commodities affected by the drought.

Overview

An unprecedented drought for this stage of the growing season has spread over much of the Nation's farmland. Much of the far West, Northern Plains, Eastern Corn Belt, Southeast, and Delta are experiencing severe-to-extreme drought conditions. The 30-day weather forecast for July shows only slight relief. It indicates continued below normal precipitation in the Eastern Corn Belt and above normal temperatures over much of the interior United States. Precipitation is expected to be near normal over the Plains, Western Corn Belt, and Southeast.

As a result of the drought, cash grain prices are up sharply since early May--up a third for wheat, one-half for corn and nearly double for oats. Cattle prices are down, reflecting distress sales because there is not enough forage for herd maintenance in some areas of the country. The drought also has disrupted barge traffic, reduced power generation and increased the likelihood of forest fires.

USDA Programs

The Department has taken action to help alleviate the distress of livestock producers. As of July 11, 1,947 counties in 37 states had been approved for emergency haying and grazing of land in the acreage conservation reserve (ACR) and in conservation uses (CU). Producers in these same counties suffering from severe drought are authorized to harvest hay for a 30-day period on land in the long-term Conservation Reserve Program (CRP). There are also 181 counties where water bank program acreage has been approved for haying. In addition, USDA has worked with states to set up a national hay hotline--called HayNet--for the purpose of providing buyers and sellers with information on the availability of hay.

As of July 11, there were 680 counties in 25 states that had been approved for participation in the Emergency Feed Program (EFP) and the Emergency Feed Assistance Program (EFAP). The Emergency Feed Program provides cost share assistance by the Commodity Credit Corporation (CCC) for livestock producers who must purchase feed in excess of normal purchases due to production losses. The Emergency Feed Assistance Program allows producers to purchase surplus, CCC feed at reduced prices. In addition, producers in 71 counties in 14 states who had previously enrolled in the 1988 wheat and feed grain programs are eligible to receive 92 percent of projected deficiency payments on acreage which could not be planted because of dry conditions.

We announced on June 27, 1988 that an additional $50 million has been set aside under Section 32 authority to purchase meat for domestic food assistance programs. This will help sagging beef prices caused by distress sales. On the same day, the Farmer-Owned-Reserve (FOR) for corn was triggered when the

5-day average national price of corn reached $3.05 per bushel. Producers may now repay reserve loans without having to pay a penalty. This will benefit both crop and livestock producers.

Market Impacts

Despite these actions, distress sales have forced down cattle prices. The price of utility cows is down from $50 per cwt in early May. Cows are currently selling for around $40-45 per cwt. Continued liquidation of the cattle herd will add to beef supplies, particularly processing grade beef, and will lead to lower prices than otherwise would have occurred. Liquidation of dairy cows will lead to reduced CCC removals of dairy products.

Overall supplies of red meat and poultry are record large this year and the short-term impact of the drought will be to add to these supplies. Higher feedgrain and soybean prices have reduced livestock feeding profitability and, if those higher prices continue, will lead to a reduction in the size of the national herd.

Currently, half of this year's corn crop is rated poor or worse in the 17 major corn-producing states. At this time last year, four-fifths of the crop was rated good to excellent. Corn prices are now near $3 per bushel compared with about $2 in April. This afternoon at 3:00 p.m. we will be publishing updated crop production estimates that reflect the effects of the drought. It is too early for objective yield surveys, so our estimates of yields will be based on the best available information on the relationships between weather and crop yields.

The key to containing damage to the livestock, poultry, and dairy sectors will be access to CCC-owned and FOR stocks of feed grains. On June 1, there was a total of 5.8 billion bushels of corn in storage--enough for 9 months' use. Catalogs listing CCC stocks available to the trade are periodically being issued. CCC stocks are also being made available through EFAP. CCC stocks totaled over 1.0 billion bushels on July 1. Stocks pledged as collateral for FOR loans are available through the use of commodity certificates at or before loan maturity. Also, so long as corn FOR loans remain in release status, they can be rapaid with cash without any payment of penalty. Currently, there are nearly 1.4 billion bushels of corn in the FOR which are in release status.

Wheat supplies are now increasing as the winter wheat harvest moves into its final stage. As of last Sunday three-fourths of the winter wheat crop had been harvested, compared with an average of 65 percent for this date. Winter wheat usually accounts for three-fourths of all wheat produced in the United States and the combination of an earlier than normal harvest and carry-over stocks from last year of 1.27 billion bushels on June 1 indicates sufficient supplies to meet domestic and export needs.

The spring wheat crop, which normally accounts for one-fourth of U.S. production, has been damaged, and durum wheat and oats grown in the Northern Plains have been especially hard hit. While Kansas City wheat prices have risen by a third since early May, prices of durum wheat and oats have increased much more.

Over a third of the soybean crop is rated poor to very poor in the 19 major soybean-producing states. A year ago, only 5 percent of the crop was rated poor or worse in these states. Soybean prices had already been rising for several months in anticipation of very low carryover stocks for the

1988/89 season. However, the drought greatly accelerated the soybean price rise. Since early May, soybean and meal prices in southern Iowa have jumped about 50 percent and soybean oil is up 25 percent.

The soybean meal price increase will push up protein costs in animal feed rations. The soybean oil price increase will affect the entire fats and oils price complex. However, world oilseed production is expected to be record large in 1988.

Pasture and range conditions on June 1 were rated at 68 percent of ideal, the lowest rating for that date since 1934. During the month of June, the drought has led to continued deterioration of pasture and range conditions in many areas, with a major impact on some beef and dairy cattle operations.

Intended hay acreage for 1988 was estimated earlier this year at 61 million acres, up 1 percent from 1987. Haying and grazing of acreage conservation reserve and conserving use acreage and haying of Conservation Reserve Program acreage increases the potential acreage for hay by roughly 40 million acres. But, the actual yield of hay from these acres is difficult to judge. In some of the most severely drought-affected states, hay yields will be poor.

Prior to the onset of the drought, food prices were forecast by the USDA to rise 2 to 4 percent in 1988. Now, based on preliminary analysis of the effects of the drought, it appears food-price increases for 1988 will rise 3 to 5 percent. In other words, it appears that the drought will add about 1 percentage point to overall 1988 food price inflation. We could see price runups in certain foods, for example, pasta products made from durum wheat, oat-based cereals, and processing vegetables such as green peas, dry beans, and sweet corn. But, when averaged over all items, food price inflation in 1988 will be held to moderate levels.

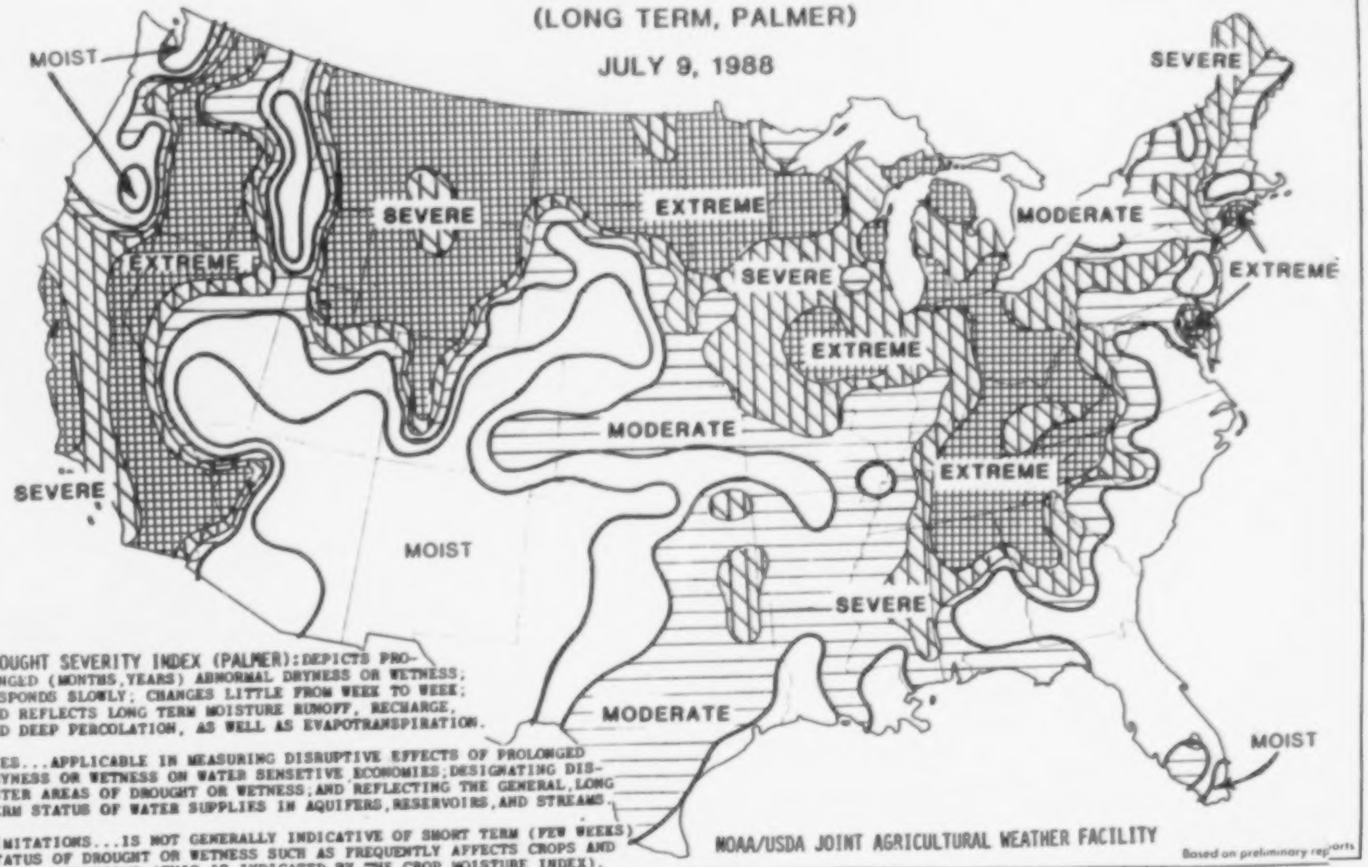
In closing, I believe we are all in agreement that the immediate problem is responding in a compassionate way to the losses faced by American farmers. In that regard, the USDA stands ready and willing to work with the bipartisan Congressional task force on drought assistance. However, at the present time we still do not have a good handle on the amount of assistance needed due to production shortfalls, and we are unsure of the drought's effect on outlays for existing price and income support programs.

Mr. Chairman, that concludes my testimony. I would be pleased to respond to any questions you or other Members of the Committee might have.

Attachments follow:

DROUGHT SEVERITY
(LONG TERM, PALMER)

JULY 9, 1988



DROUGHT SEVERITY INDEX (PALMER): DEPICTS PROLONGED (MONTHS, YEARS) ABNORMAL DRYNESS OR WETNESS; RESPONDS SLOWLY; CHANGES LITTLE FROM WEEK TO WEEK; AND REFLECTS LONG TERM MOISTURE RUNOFF, RECHARGE, AND DEEP PERCOLATION, AS WELL AS EVAPOTRANSPIRATION.

USES...APPLICABLE IN MEASURING DISRUPTIVE EFFECTS OF PROLONGED DRYNESS OR WETNESS ON WATER SENSETIVE ECONOMIES; DESIGNATING DISASTER AREAS OF DROUGHT OR WETNESS; AND REFLECTING THE GENERAL, LONG TERM STATUS OF WATER SUPPLIES IN AQUIFERS, RESERVOIRS, AND STREAMS.

LIMITATIONS...IS NOT GENERALLY INDICATIVE OF SHORT TERM (FEW WEEKS) STATUS OF DROUGHT OR WETNESS SUCH AS FREQUENTLY AFFECTS CROPS AND FIELD OPERATIONS (THIS IS INDICATED BY THE CROP MOISTURE INDEX).

NOAA/USDA JOINT AGRICULTURAL WEATHER FACILITY

Based on preliminary reports

CROP PROGRESS 1/
FOR WEEK ENDING JULY 10, 1988

WINTER WHEAT
% HARVESTED

	1988	1987	AVG.
ARK	100	99	98
CALIF	75	95	91
COLO	47	8	12
GA	100	100	99
IDAHO	0	0	0
ILL	99	100	84
IND	95	89	66
KANS	100	90	80
MICH	50	20	5
MO	100	97	83
MONT	7	0	0
NEBR	70	51	43
N MEX	92	100	NA
N C	100	100	NA
OHIO	82	49	35
OKLA	100	100	100
OREG	1	7	3
S DAK	42	11	8
TEX	96	94	94
WASH	0	4	1
20 STATES	75	66	NA
EXCL. STATES WITH NA	75	65	60

THESE 20 STATES PRODUCED 91% OF THE 1987 WINTER WHEAT CROP.

NA - NOT AVAILABLE.

SPRING WHEAT
% HEADED

	1988	1987	AVG.
IDAHO	90	94	80
MINN	100	99	89
MONT	89	85	66
N DAK	95	93	75
S DAK	100	100	100
5 STATES	95	94	80

THESE 5 STATES PRODUCED 95% OF THE 1987 SPRING WHEAT CROP.

RICE
% HEADED

	1988	1987	AVG.
ARK	0	0	0
CALIF	0	0	0
LA	35	22	35
MISS	5	5	8
TEX	46	57	55
5 STATES	12	11	14

THESE 5 STATES PRODUCED 97% OF THE 1987 RICE CROP.

CORN
% SILKING

	1988	1987	AVG.
COLO	0	1	0
GA	91	98	96
ILL	35	74	36
IND	9	60	23
IOWA	12	34	9
KANS	25	45	15
KY	28	64	38
MICH	5	15	3
MINN	8	6	1
MO	45	69	36
NEBR	20	22	11
N C	67	65	72
OHIO	3	40	13
PA	0	0	2
S DAK	1	3	0
TEX	68	74	77
WIS	2	9	3
17 STATES	19	38	18

THESE 17 STATES PRODUCED 94% OF THE 1987 CORN CROP.

GRAIN SORGHUM
% HEADED

	1988	1987	AVG.
ARK	14	52	NA
ILL	2	69	NA
KANS	0	5	1
LA	34	47	59
MISS	27	35	30
MO	8	29	11
NEBR	0	0	0
OKLA	10	10	5
S DAK	1	0	0
TENN	16	44	27
TEX	59	54	60
11 STATES	18	23	NA
EXCL. STATES WITH NA	18	21	19

THESE 11 STATES PRODUCED 96% OF THE 1987 GRAIN SORGHUM CROP.

NA - NOT AVAILABLE.

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[1] Averages in these summaries are for the years 1983-1987.

The CHAIRMAN. Mr. Secretary, you have today, as I understand it, put out your new drought projections?

Secretary LYNG. This is our normal date to put out information on the acreage of the summer crops. We will do estimates on wheat, which will include the crop yield estimate on Winter wheat.

Normally on those crop reports we project acreage, and on the summer crops we do a trend line projection of yields. This year, because of the drought, we're going to try to actually modify that, not doing a complete survey as we will do for the August report, but doing an estimate of the effects of the drought as of July 12. That will be released at the Department at 3 p.m., and a number of us, I think, are anxious to see what we come up with.

We will also be releasing the world supply/demand projections, and in those, we will also be building in an estimate of the effects of the drought. So they'll have a little more meaning than they otherwise would have.

The CHAIRMAN. One of the questions that I find I am asked continuously in all parts of the country, and I believe I know the answer, but just so that we can respond to it here, even with all the projections you have seen of the drought, considering our strategic reserves, do you see any shortage of food in this country this year?

Secretary LYNG. No. I think we can be comfortable in saying that we will have enough. We will have very low stocks at the end of the next marketing year of soybeans. But we will have enough at the beginning of the year to take care of our normal needs for domestic use, and for healthy export volume.

On wheat, I think our estimates this afternoon will show that we are actually blessed with a good Winter wheat crop, and that will have some effect of offsetting some of the disastrous yield in the North Central States, Montana, the Dakotas, in the Spring Wheat Belt, where the losses have been truly catastrophic.

So on soybeans and wheat, we can see pretty clearly where we are, even now. For corn, I am anxious to see the figures, but there will still be no shortage. We are going in with a carryover of over 4 billion bushels, and I think that without any doubt, we'll have enough to meet our domestic needs and our export demand.

The CHAIRMAN. You anticipated my other question. We can fulfill the anticipated export contracts that we now have?

Secretary LYNG. We want our export buyers to be assured that we are going to continue to be reliable suppliers. The President has said and the Congress has spoken with laws that indicate that we will continue to export under conditions like this; we will not have any restrictions on export movement.

Now, I would always suggest to an export buyer that they may pay more, and the prices are higher, but they will be treated no differently than our domestic buyers, because we must, in order to maintain our export volume, maintain the reputation of being a good, reliable supplier, even in dreadful years like this.

The CHAIRMAN. If we were to have another one of these dreadful years, though, would not that picture change rather dramatically?

Secretary LYNG. Mr. Chairman, this is a drought that is beyond anything we have ever had records for, going back to the 1870's. To suggest that we might have two of them in a row would indicate that we have done something terribly wrong, and the gods are against us. I don't think there is much likelihood of that sort of thing happening.

This country has been a very reliable supplier, and I have no reason to believe that it will not continue to be.

The CHAIRMAN. And lastly, based on what you have seen so far in the projections, we know that the irony of something like this, if we actually save money on part of our farm programs, do you have an estimate now of how much money we may have available within the budget to work on drought relief? I ask that question because you recall our meeting with the President, you and Senator Lugar and the House leadership yesterday, that was an issue that the President and others raised about the budget. What do you think we will have to work with?

Secretary LYNG. The total expenditure for Commodity Credit Corporation for all purposes for this year was estimated in the budget to be $17 billion. As I recall, about $9 billion or perhaps as much as $11 billion could have been deficiency payments. A part of those will not be needed if the prices that we now see continue throughout the period when the deficiency payment is calculated. So there will be a number of billions of dollars that it would appear now would be safe.

But to put a really accurate number on that is impossible. It would be a little bit easier, after we get these figures at 3 this afternoon. But even then, if you notice the market's movement, actually up 10 percent one day and down 10 percent the next day, it makes it very difficult to complete and to be precise about this at this point.

The CHAIRMAN. Obviously, our staffs will be working with yours almost on a day-by-day basis as we go on trying to develop these numbers, and I realize it becomes a moving target, but——

Secretary LYNG. There will be sufficient savings, I think, to justify the legislation that has been introduced this morning.

The CHAIRMAN. Senator Lugar.

Senator LUGAR. Mr. Chairman and Mr. Secretary, there are two aspects of the draft legislation that I would like for you to give a preliminary comment on, if you would care to. One deals with the feeding programs for livestock. Obviously, some changes have been made that are substantial, such as producers would receive CCC commodities at not less than 50 percent of the market price in the years after 1988, rather than the 75 percent of loan rate which is current. And likewise, the provision calls for permanent restructuring of livestock feeding programs. Current regulations requiring a 40 percent loss should be kept in place, but the producers who do not grow their own feed would now qualify.

Do you have any preliminary thoughts that ought to guide our conversations about that this afternoon?

Secretary LYNG. This is, as you suggest, something that has never been done before to my knowledge. It opens a new area of drought or disaster assistance to producers of livestock and poultry that did not grow their own feed.

In the past, disaster legislation we have had has primarily applied to those who had crops that were damaged because of whatever disaster, drought or a flood. This changes that and provides direct help to those who really have not lost anything in the drought itself or in other disasters, but have found the need to pay a larger price. So it helps in that respect, to buffer the effects of higher feed costs.

However, in that sense, it expands the role of Government. Controlling that exposure is a $50,000 limitation. So it is not something that large feedlot operators or large poultry operators would benefit greatly from.

I think it is important that we understand that we can't take care of all of the losses that everybody suffers because of prices going up because of a drought. The fact is that these would be pretty small operators that a $50,000 limit would be a big factor. So I don't find it is something that is objectionable.

This legislation, Senator Lugar, as you know, has been put together in a spirit of compromise, bicameral and bipartisan. If we had a lot of time, I might argue that there are some refinements that would need to be done there, but the fact is, we can accept those livestock provisions. There is some justice and justification to helping some people who have been hurt.

Senator LUGAR. Let me ask one further question, Mr. Secretary. We make a substantial change in the area of soybeans and sunflowers so that producers of program crops could plant soybeans or sunflowers on the permitted acreage within a range of 10 to 35 percent and, of course, retain at the same time their history with regard to program crops. That would be for the 1989 year, and of course has been strongly sought by soybean farmers.

Do you have any general comment about that provision?

Secretary LYNG. Yes. I would prefer that that be deferred for action. It is not particularly related to the drought situation. It is related to what was already a shortage situation for soybean acreage because of the way the Food Security Act of 1985 structured the corn program. This would adjust that.

I question whether a drought relief package is the way to work on the 1985 farm bill. But again, with this mild objection, the administration will accept it in the spirit of trying to get something through the Congress.

Senator LUGAR. I appreciate both that spirit and your answers, because I know there have been many questions raised even in a preliminary way by farmers or producers or consumers around the country about changes. Clearly, these are changes, and they ought to be highlighted as that. But at the same time, the point that you are making, and I suppose the point each one of us has made around this table, is that in a spirit of compromise, trying to work with the greatest equity for all sorts of farmers and regions that are involved, there are a good number of things that, if we were handling it over a longer period of time or category by category, we might do differently, and in the spirit of compromise this seems to be tolerable, and therefore is held together as a package.

Secretary LYNG. That's correct. And the latter question that you asked me about the use of base acreage for expansion of soybean production, that would normally be corn acreage that would be going into soybeans—there is an argument in favor of that, that it would reduce the actual costs of the farm programs because we do not have deficiency payments on soybeans, we do have on corn, and there is a market for the soybeans, apparently.

So I could argue in favor of that, but I would argue that it ought to be taken up among the changes that might be considered in the 1985 farm bill.

The CHAIRMAN. The 1990 farm bill. You said 1985.

Secretary LYNG. I am saying this is in the 1985 bill.

The CHAIRMAN. Oh, I'm sorry; of course. We all have such painful memories of going through the 1985 farm bill.

Secretary LYNG. The 1985 farm bill has turned out to be quite a good bill, but there may be a few things that need to be changed in there for 1989.

Senator LUGAR. Thank you.

The CHAIRMAN. Senator Melcher.

STATEMENT OF HON. JOHN MELCHER, A U.S. SENATOR FROM MONTANA

Senator MELCHER. Mr. Secretary, I am going to repeat something that I said earlier, and which I think you probably agree with. That is, thank God for American farmers. They know their business, and we want to keep them in business.

These prices for grains were kind of tending upward anyway, ahead of the drought, but the improvement in prices for grains and soybeans isn't of any value for those who have no crop to sell—and you use the word "catastrophic" in some instances where there is no Spring wheat crop, for instance, in portions of Montana, most of the State.

As these prices come up, it allows a savings in deficiency payments that would otherwise be due, and particularly for corn, that may be a very significant amount of money, in billions of dollars.

Now, if we are going to truly try to keep farmers in business in these drought areas, we are going to have to pump funds in for disaster relief that is the most generous of any I have witnessed, and I am sure I could say the same for you, Mr. Secretary, than any you have participated in in your long experience in agriculture.

What is going to be the balance in determining how much we should pump out there for the disaster relief in order to keep farmers who are really suffering the drought and the consequences of the drought and have that heavy debt schedule anyway, and won't have anything to sell—what should be the guideline for us?

Secretary LYNG. Well, I think the guideline should be need. The goal of the legislation should be to accomplish what you have stated, and that is to keep these people, as best the Government can do it, in a viable condition.

Now, I don't think most people believe it should be a program that holds everyone totally harmless from the drought; that would be terribly expensive and would also be extremely difficult to administer on a 100 percent of loss basis. That would be the extreme, it seems to me.

We have had experience over the years on these matters. This is by far the largest drought that I think this Nation has ever experienced. I think that history will show that. It is truly mammoth in its affects. So I suppose we have to give some thought to the total cost of this program as well as the need—but first the need.

As we look back upon the drought relief that we gave in 1986 and the legislation at that time, to be eligible for the relief, you had to have suffered 50 percent or more in total losses. This, in that sense, is more generous because it says that if you have suffered 35 percent or more, you are eligible for relief.

I think I would have to say that the committee and the committee staff have done a good job of trying to come to that point of satisfying the need in a fair, realistic, and compassionate way.

Senator **Melcher**. Well, I am glad to hear you say the pertinent thing is the need is out there, because I think to get this money out to drought victims, farmers who are in drought areas, we are going to be transferring a great deal more money than we have ever done in the past.

But how difficult is it going to be for you to provide us with what the savings will be on deficiency payments that will not have to be paid to farmers who do have crops simply because prices have come up for their commodities and it won't be necessary to pay them the difference between what they receive in the marketplace and what the target price is?

Secretary **Lyng**. When we know how big the crop is—we won't have very accurate figures on that until August, perhaps even September. When we know that, then we can do some projections for the next 12 months on the market. That will be an iffy thing, since that's the determination for the deficiency payments. It is not that easy to come very close on the estimates of deficiency payments because by the very nature of them, they adjust to the market situation. That's the way the law is written, and that's what is desirable; to cushion producers to bring them up to the target price level. And the cost of it is determined by the deficiency payment size. In this case, we cannot be sure. We may have no deficiency payment. In other cases we may have a small one. We just can't tell you at this time.

Senator **Melcher**. Will you have a different baseline after this crop report this afternoon?

Secretary **Lyng**. Yes, we will.

Senator **Melcher**. You'll have a new baseline as of July 1.

Secretary **Lyng**. We'll be doing an estimate for budget purposes, the mid-term review, and I believe we'll be sending that to the Congress sometime in late July or early August.

Senator **Melcher**. All right. Thank you, Mr. Secretary.

The **Chairman**. Senator Cochran.

STATEMENT OF HON. THAD COCHRAN, A U.S. SENATOR FROM MISSISSIPPI

Senator **Cochran**. Thank you very much, Mr. Chairman.

Let me commend the Secretary for being here and for working with the committee to develop this package of drought relief. I think it is important to note that he has been available to this committee whenever we have asked him to be, and the administration has been very helpful in trying to identify what the problems are that are being dealt with out there by farmers and ranchers as a result of the drought, and we appreciate that.

Let me just ask one question. I noticed that in the analysis of the legislation, there is a statement that indicates that where farmers are in disaster areas, their individual applications will be reviewed under procedures that are established by the Secretary. In other words, as I understand this, the committee is not trying to determine in each individual instance the criteria for eligibility for disaster relief, but that that is going to be left to the Secretary, as I understand.

Do you have anything you can tell the committee about what criteria will be used to determine eligibility for applications under this legislation?

Secretary LYNG. Well, I have not read the bill itself, but I thought that the first criterion was that to be eligible, to be considered for drought assistance, the producer would have to have had a loss of 35 percent or more. And I don't think that part was discretionary in the proposals that I heard.

Senator COCHRAN. This means that even if a farmer is in an area that is not a disaster area, he could file an application and show with farm records or some other documented evidence that he suffered such a loss, he would be eligible for relief; is that right?

Secretary LYNG. Yes. I think it is the intent that individual farmers would have individual criteria, and that a farmer with a substantial loss would not be denied assistance because he was in a county where he was the only farmer who had a loss.

Senator COCHRAN. Well, that is important to note, I think. Farmers should be assured that if their individual situation justifies relief, then under this legislation it will be made available. I think that is the intent of the bill.

Secretary LYNG. That was my understanding.

Senator COCHRAN. I thank you, Mr. Chairman.

The CHAIRMAN. It is certainly the intention of those of us who worked on it, and I think it has to be.

We are within 3 or 4 minutes of the time the Secretary has to leave, and I would just yield first to Senator Fowler if he has any questions. Mr. Myers is going to stay here after the Secretary leaves.

Senator FOWLER. Thank you, Mr. Chairman. I'll be very brief.

Mr. Secretary, following up Mr. Lugar's question to a certain extent and Mr. Cochran's, speaking of our experience in drought, after the 1986 drought, which was extremely serious in our part of the country, in your review of the 1986 program, were there commodities or situations that were not covered in the 1986 drought that we need to look at and make sure there is a remedy due to the severity of this drought?

Secretary LYNG. Senator Fowler, as I recall that 1986 situation, the original legislation took care of what we call program crops, but it did not take care of nonprogram crops, that is, crops that were not spelled out in the farm program.

Senator FOWLER. Will you and your staff review that?

Secretary LYNG. It has been reviewed, and in this proposed legislation, nonprogram crops are covered the way they eventually became covered in the 1986 bill.

I think that this legislation as it was drafted has taken some cognizance of the experiences of the 1986 legislation.

Senator FOWLER. Thank you. And just quickly, on Mr. Cochran's point, how much emergency authority do you have to cover, just in the emergency feed assistance program, for instance, to cover all farmers? I am specifically thinking about poultry. You mentioned that earlier. Do you have adequate emergency authority to cover those poultry farmers who are in dire need?

Secretary LYNG. We do not have any emergency authority now, because we can only help those who are producers of their own feed, and most major poultry industries buy all of their feed.

The proposal does call for some assistance to people who do not produce their feed, and that's what Senator Lugar and I were talking about earlier, where this legislation is in fact plowing some new ground.

Senator FOWLER. And you agree that that is a need that ought to be looked at?

Secretary LYNG. I suggested that this might be something that we would like to take another look at, but in the spirit of moving this legislation along, we have accepted that.

There is, I think I should note, a $50,000 payment limitation in the legislation, which would limit the amount that a larger broiler or large feedlot operator would be able to obtain.

Senator FOWLER. Thank you.

The CHAIRMAN. Thank you. That's quite all right. We agreed that you have to go, and at the Cabinet meeting, I imagine the drought will be a significant matter there, and we appreciate you being here.

Secretary LYNG. Well, I'd like to report to my fellow Cabinet members on the progress we are making here.

Thank you very much.

The CHAIRMAN. Thank you. We appreciate you being here.

I thought what we might do, gentlemen, before we go on to questions of Mr. Myers, we have a number of Senators who are not on the committee, but have asked for the chance to make statements before our committee; and to the extent they are available, I'd like to first yield to them to do that and then just continue the questions here.

I notice that Senator Riegle is here, and I know Senator Exon and Senator Levin wish to speak.

I would yield to Senator Riegle—and I also appreciate Senator Riegle's courtesy in waiting. Normally, we take testimony first from Members, but the Secretary's schedule has been changed twice by us, and then he did have the Cabinet meeting.

And I also, incidentally, wish to express my appreciation to the Members of the Republican side who are here. I know that this is normal caucus time, and we have tried to work things out to try to get the Secretary here, and I know a number of you have had to leave your caucus to be here, and I do appreciate that.

Senator Riegle.

STATEMENT OF HON. DONALD W. RIEGLE, JR., A U.S. SENATOR FROM MICHIGAN

Senator RIEGLE. Thank you, Mr. Chairman.

I must say I am pleased to wait in order to hear the Secretary make such a forthcoming endorsement of the need for emergency legislation.

I want to thank you and the members of the committee, and I want to acknowledge at the outset your leadership, Mr. Chairman, going across the country to really collect the facts on this problem and to bring it to the attention of the Senate as a whole and to the country. And I appreciate also the opportunity that I have had to serve as an ad hoc member of the Drought Emergency Task Force.

In terms of the scale of this problem in my State of Michigan, agriculture is our second largest industry and accounts for more than $15.5 billion per year to our economy. We lead the Nation in the production of 9 commercial crops, and we rank fifth or higher in the production of 20 others. Agriculture is a centerpiece of the economic strength of Michigan.

I can say to you that we are in an agricultural crisis in Michigan, just as in other States in the Midwest. The damage is pervasive across all crops. Our hay crop has been reduced by 30 to 50 percent—one county had losses over 70 percent. No second cutting appears possible. Many of our dairy farmers and beef producers can't find hay to buy at any price.

Our losses on the small grains, oats and barley, rye and wheat are running as high as 50 percent. As for corn, thousands of acres are being lost with little chance of any meaningful reversal; losses here are projected to range from 40 to 50 percent.

Major losses are also mounting on the entire range of our nonprogram crops. As the Nation's leading cherry producer, the crop in southwest Michigan ranges from terrible to disastrous. Worse, many fruit trees are dying from the heat stress, which means our farmers are losing their future production until replacement trees can mature.

Our farmers are disking up potato fields, and many are unable to plant dry beans. Every crop in our State—and we produce more than 50 commercial crops—has been damaged by the drought. In total, the official estimates of losses in Michigan could reach as high as $500 million. Those are direct losses. Obviously, that gets multiplied in terms of indirect effects down the line.

Farmers in my State who have been in farming since the Depression say that the 1988 drought is worse than the drought of 1934. Thousands of Michigan farmers need this drought relief legislation if they are to avoid financial ruin. It is just that simple.

The committee bill that we have all been working on is urgently needed, and I think will send a message of hope to farmers across America, and I am pleased to be a cosponsor of it. I think the key provision of this draft is the extension of disaster relief coverage to those who produce nonprogram crops.

Two years ago, during a flood disaster in our State which, as Senator Fowler refers to, was a drought disaster at the same time in the South, in Georgia and other places, we found at that time that there was no mechanism available to aid nonprogram farmers. At that time, I crafted with Senator Mattingly and Senator Levin a program which was enacted and worked well. It saved thousands of farmers from bankruptcy. I introduced the same program this year, S. 2555, and I am grateful that you have included this structure in the pending bill.

I think that lowering the disaster threshold, as the Secretary said, to 35 percent, is a positive move, given the overall scale of this drought disaster. I would also like you to consider raising the payment limitation, perhaps to $150,000 since farmer's losses in many cases will exceed by a large amount the limitation that is proposed. I think we want to keep our farmers in business and out of foreclosure; raising the payment cap may be necessary, given the scale of this catastrophe.

Other elements of the proposed legislation are of critical importance to the farmers in Michigan and I strongly support them. The bill helps meet feed costs that dairy, beef, and other livestock producers are having to bear as a result of failed hay crops, and will rescind the 50-cent reduction in dairy price supports that are scheduled for January 1989; these are important provisions.

Finally, it is vital that the bill contain language to encourage the Secretary of Agriculture to pursue more lenient credit policies. Our farmers can't stand more debt. I heard that message over and over in Michigan, and it is essential that some assistance in this area be forthcoming as well.

There are several other suggestions that I received from the Michigan Farm Bureau and other farm groups. One of these involves finding some form of assistance to livestock and dairy producers who are forced to sell breeding stock because of lack of feed. These producers are receiving less than full value for their animals, and there should be some means to help them offset these losses. Another area that is more severe in our State is assistance to orchard crop producers who must replace trees that are killed in the drought. I urge you to take a look at this area, as well.

Finally, while the Federal package is crucial, the States must help, I think, at the same time. During the 1986 flood disaster in Michigan, Governor Blanchard worked with us and State agricultural leaders to create a complimentary State program of assistance. It included several special financing programs for farmers and other assistance measures.

I think the message ought to go out of here that we are encouraging all States that are affected to participate in developing supplemental relief efforts that will go beyond what we do at a Federal level.

Also, Mr. Chairman, as we know, farmers are very proud, hardworking people, and they are reluctant to seek help from anyone. The scale of this drought crisis, however, has required them to seek our help, and I think we must respond. A drought relief package makes good economic sense for America. Every citizen will gain if we can avoid the costs of widescale bankruptcies, foreclosures, and the severe damage we would see in our rural communities. We need our national agricultural base to feed and clothe ourselves and to reduce our trade deficit with exports overseas. On human terms and economic terms, America needs this drought relief package.

So I strongly support this package and urge that we move to get it enacted at the earliest possible date.

I thank the Chairman and the committee for its courtesy.

[The prepared statement of Senator Riegle follows:]

Statement of the Honorable Donald W. Riegle, Jr.
Committee on Agriculture, Nutrition and Forestry
July 12, 1988

Mr. Chairman and Members of the Committee. I appreciate this opportunity to appear before you to seek your assistance for Michigan and American farmers. I thank you for allowing me to serve as an Ad Hoc member of the Drought Emergency Task Force.

In Michigan, agriculture is our second largest industry, accounting for more than $15.5 billion to the state's economy each year. We lead the nation in the production of nine commercial crops, and we rank fifth or higher in the production of 20 others. Agriculture is a centerpiece of the economic strength of my state.

We are in an agricultural crisis in Michigan, just as in other states in the Midwest. The damage is pervasive across all crops. Our hay crop has been reduced by 30 to 50 percent -- one county had losses over 70%. No second cutting appears possible. Many of our dairy farmers and beef producers can't find hay to buy at any price.

Our losses on the small grains, oats and barley, rye and wheat are running as high as 50%. As for corn, thousands of acres are being lost with little chance of any meaningful reversal; losses here are projected to range from 40% to 50%.

Major losses are also mounting on the entire range of our non-program crops. As the nation's leading cherry producer, the crop in Southwest Michigan ranges from terrible to disasterous. Worse, many fruit trees are dying from the heat stress , which means our farmers are losing their future production until replacement trees can mature.

Our farmers are disking up potato fields, and many are unable to plant dry beans. Every crop in our state -- and we produce more than fifty commercial crops -- has been damaged by the drought. In total, losses in Michigan could reach as high as $500,000,000.

Farmers in the state who have been around since the Depression say that 1988 is worse than the drought of 1934. Thousands of Michigan farmers need this drought relief legislation if they are to avoid financial ruin.

The Committee bill that we all been working on is urgently needed and will send a message of hope to farmers across America. The key provision of this draft is the extension of disaster relief coverage to those who produce non-program crops.

Two years ago, during a flood disaster in our state, we found that there was no mechanism available to aid non-program farmers. At that time, I crafted with Senator Mattingly and Senator Levin a program which was enacted and worked well. It saved thousands of farmers from bankruptcy. I introduced this same program this year, S. 2555, and I am grateful that you have included this structure in the pending bill.

I think that lowering the disaster threshold to 35% is a positive move given the overall scale of this drought disaster. I would also like you to consider raising the payment limitation, perhaps to $150,000 since farmer's losses in many cases will exceed easily the limitation. We want to keep our farmers in business and out of foreclosure; raising the payment cap may be necessary.

Other elements of the proposed legislaiton are of critical importance to farmers in Michigan and I strongly support them. The bill helps meet feed costs that dairy, beef and other livestock producers are having to bear as a result of failed hay crops, and will rescind the 50 cent reduction in dairy price supports that are scheduled for January, 1989; these are important provisions.

Finally, it is vital that the bill contain language to encourage the Secretary of Agriculture to pursue more lenient credit policies. Our farmers can't stand more debt. It is essential that some assistance in this area be forthcoming.

There are several other suggestions that I have received from the Michigan Farm Bureau and other farm groups. One of these involves finding some form of assistance to livestock and dairy producers who are forced to sell breeding stock because of a lack of feed. These producers are receiving less than full value for their animals, and there should be some means to help them offset these losses. Another area unique to Michigan is assistance to orchard crop producers who must replace trees that are killed in the drought. I urge you to examine this area, as well.

While our federal package is crucial, the states must help as well. During the 1986 flood disaster Governor Blanchard worked with us and state agricultural leaders to create a complementary state program of assistance. It included special special financing programs for farmers and other assistance measures. We should encourage all states to participate in developing supplemental relief efforts.

Mr. Chairman, farmers are very proud and hardworking people, and they are reluctant to seek help from anyone. The scale of this drought crisis has required them to seek our help -- and we must respond. A drought relief package makes good economic sense for America. Every citizen will gain if we can avoid the costs of widescale bankruptcies, foreclosures, and the severe damage we would see in our rural communities. We need our national agricultural base to feed and clothe ourselves and to reduce our trade deficit with exports overseas. On human terms and economic terms America needs this drought relief package.

So I strongly support this package and urge that we move to get it enacted at the earliest possible date.

The **Chairman**. Thank you.

Senator Exon has been delayed. Senator Levin, do you wish to make a statement?

STATEMENT OF HON. CARL LEVIN, A U.S. SENATOR FROM MICHIGAN

Senator **Levin**. I'll be very brief, Mr. Chairman. I appreciate the invitation to testify.

I think, as you know from your and other members of the committee's personal involvement around the country, the crop losses have been extensive in our State. Sixty-five percent of our oats are poor to very poor; 45 percent of the corn is poor to very poor; 40 percent of the soybeans, poor to very poor; corn height is half of what it should be. And these figures are as of July 3.

There are two things I want to focus on briefly. One, you have already covered in the bill, and that is the nonprogram crops. We are very, very happy that that is included in the core bill. It is critical to States such as Michigan that it be included.

But there is one area that I would like you to look at and other members of the committee, and that's the question of fruit trees. Our fruit trees—and we are a major fruit producer—are affected by the drought. We are No. 2 or 3 each year in apple production. We are No. 1 in tart cherries. We are big in peaches, sweet cherries and other fruits.

It would be very, very important for there to be a provision in the bill, as you mark it up, which would provide some relief to the fruit growers. They are affected by the drought. The extent of it will not be known until next year. That's the nature of the business in fruit trees. They won't know this year. They'll know how much their annual crop is reduced, but they won't know the extent of the damage to fruit trees until next year.

But there is a provision which we have shared with the staff and we hope you will take a look at which would authorize the Secretary of Agriculture, out of existing funds, to provide a program to assist those fruit growers who have significant losses from drought to their capital stock, to their fruit trees. It can be done—it is a little more complicated—but the losses are just as real.

And so we would hope that you, Mr. Chairman, and other members of the committee will take a look at this language, which would permit the Secretary of Agriculture in his discretion, out of existing funds, to provide for the removal and replacement of fruit trees that were damaged by the drought. And again, we won't perhaps know the extent of it until next year, but it would carry that authority into next year.

And again, we are grateful to you, Mr. Chairman, for what you and all the other members of the committee have done to assess the national impact of this drought on all of our States or most of our States.

The **Chairman**. I appreciate your comments, Senator Levin, and I am concerned about the issues you raise on fruit trees, and the issues that Senator Riegle has raised, also.

The part of Vermont that has been most hit by drought, not the same as some of the other parts of the country, but the part that has been hit badly is also the part where we have large apple orchards, and some of the same issues you have raised are being raised there. We will look at it very seriously.

Our final Senator today, Senator Exon, is here, and I will yield to Senator Exon from Nebraska.

STATEMENT OF HON. J. JAMES EXON, A U.S. SENATOR FROM NEBRASKA

Senator Exon. Mr. Chairman, thank you very much. I will try and be brief. I know you have a lot to do.

Mr. Chairman, I appreciate the opportunity to come before the Senate Agriculture Committee. You have a lot of work before you today, so I will try to keep my remarks very brief. I was pleased with Secretary Lyng's testimony in support of our joint efforts to address the drought.

The 1988 drought has dealt a serious blow to much of rural America. While conditions across Nebraska, Mr. Chairman, while hardhit in some areas, are not as critical as they are in some of our neighboring States as of now. This is not a time to wait and see. And the approach that has been taken under the leadership of this committee has long since past, as many of us have insisted upon for some time. It is time now to move and take action, and I congratulate you for your efforts.

The drought facing America's farmers and ranchers nationwide is well on its way to becoming the worst in recent history. Not since the 1930's has America seen this type of drought devastation. Even worse is the fact that this drought will affect an even larger proportion of our food production capacity and will probably be felt well beyond 1988. If there is a shortcoming to these proposals, it is that we are seemingly treating this as a one-time phenomenon. I fear that too few are focusing on the long-term implications. But we have time to address that further and I would suggest in the near-term future. I caution that we must develop some long-term contingencies.

Even during the 1930's, I recall visiting other nearby States that were not so dramatically affected. Unfortunately, current drought conditions suggest that the situation will be even more far-reaching than those we faced in the past. These difficult and unusual conditions require innovative and extraordinary responses.

As we prepare to move forward, I would like to reemphasize the importance of making our assistance package equitable for different segments of American agriculture. Whether a farmer produces a so-called "non-program" crop, like soybeans, or program crops, like corn or wheat, they deserve to be treated as equally as possible. The same goes for America's cattlemen and pork producers.

Rather than comment on every aspect of that assistance, Mr. Chairman, I would like to focus on a few specific areas that are particularly important.

The bill introduced a little over a week ago by Senator Melcher included a number of provisions that I authored. One of those provisions requires the Secretary of Agriculture to prepare a drought contingency plan so we know where we are headed should the drought continue. I proposed that language because I am not satisfied with the patchwork approach that has been taken to date. I simply believe we should have a more organized approach of dealing with a drought of this magnitude. The provision requires the Secretary to evaluate the various alternatives for the use of all land set aside under Federal farm programs—including CRP land—as well as land held in inventory by the Farmers Home Administration and of course, those affected in the Farm Credit System.

Mr. Chairman, I ask that the balance of my statement be printed in the record, and I ask also that a "Dear Colleague" letter on this subject be printed in the record following my remarks.

The CHAIRMAN. Without objection, both will be entered in the record.

[The prepared statement of Senator Exon and the "Dear Colleague" letter follow:]

Testimony of
Senator J. James Exon
before
The Senate Committee on Agriculture
1988 Drought Disaster Assistance
July 12, 1988

Mr. Chairman, I appreciate the opportunity to come before the Senate Agriculture Committee. You have a lot of work before you today, so I will try to keep my comments as brief as possible. I was pleased with Secretary Lyng's testimony in support of our joint efforts to address the drought.

The 1988 drought has dealt a serious blow to much of rural America. While conditions across Nebraska are not as critical at this time as they are in some of our neighboring states, the time for a "wait and see" approach is long since past, as many of us have insisted for sometime.

The drought facing America's farmers and ranchers nationwide is well on its way to becoming the worst in recent history. Not since the 1930's has America seen this type of drought devastation. Even worse is the fact that this drought will affect an even larger proportion of our food production capacity and will probably be felt well beyond 1988. If there is a shortcoming to these proposals it is that we are seemingly treating this as a one-time phenomenon. I fear that too few are focusing on the long-term implications. But we have time to address that further in the near term future. I caution that we must develop some long-term contingencies.

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Rather than comment on every aspect of that assistance, Mr. Chairman, I would like to focus on several specific areas that are particularly important.

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I realize the use of CRP land for grazing is not universally supported. While the Conservation Reserve Program represents a commendable goal which I support, we are facing a threat to our entire food-producing plant. It does not make sense to me to see drought-ravaged land in one region neighbored by pristine, untouched land in another region which could be utilized to help offset the tough blow which nature has dealt our Nation. We need a long-term balanced approach. While CRP land should not be damaged in a frivolous fashion, we must work in a cooperative, nationwide effort to protect our production and producers of food. America must protect its food security. Both from and for economic and environmental perspectives.

Another provision I authored requires the Secretary to report on the affects that forward contracting will have on farmers and cooperatives during these difficult times. I am very concerned about those who, in the interest of reducing their risk, forward contracted their grain and now, due to drought, will not be able to deliver that grain or offset their loss due to drought related price increases. There are a lot of contracts in Nebraska for $2.20 corn and the prospect of Nebraska farmers having to make up the difference between the contract price and the market price if they are unable to deliver is frightening. It may be necessary for the Secretary to consider, at least, providing low interest FmHA loans to cover the cost of "buying out" of a contract in those cases where farmers are unable to deliver contracted grain due to the drought.

I also want to call your attention to a provision regarding ethanol. I do not want to see our alcohol fuels industry sustain permanent damage due to the drought. It has taken years to get to the point where we are now and I am not prepared to stop. While I do not want to give ethanol producers a "windfall" with this assistance, I do believe it is important to do something to ensure that the ethanol industry does not dry up and blow away with the drought winds.

Mr. Chairman, we are all of course concerned about the effect a drought relief bill will have on the Federal deficit. I have already written to the distinguished Chairman and Senator Melcher about a provision which could be included in a drought relief package which would help off-set the budget costs.

I ask that the Committee study legislation which I introduced to allow rural electric facilities to refinance with private funds their high interest Federal financing bank loans. The inclusion of this legislation would bring much needed rate relief to rural electric consumers and bring about $5 billion into the Federal Treasury.

Due to increased energy use in irrigation, drought stricken farmers face significantly increased energy bills. Furthermore, the stress of the drought could cause some serious problems for rural electric systems in the years following the much hoped for thirst quenching rains. It is no surprise that those facilities at the greatest financial risk are in the regions hit hardest by the drought.

S. 912 would allow the Senate to meet the needs of our Nation's farmers and be fiscally responsible. This legislation enjoys broad bipartisan support and is cosponsored by 48 Senators. I would be happy to work with this Committee to fine tune S. 912 to assure that the financial benefits of refinancing translate into rural electric rate relief.

I thank the Chairman and the Committee for the opportunity to present my views and I look forward to working with the Committee to swiftly bring much needed assistance to our Nation's farmers. I also ask that my July 1, 1988 "Dear Colleague" letter on this subject be printed in the record.

J. JAMES EXON
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ARMED SERVICES
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TRANSPORTATION
BUDGET

United States Senate
WASHINGTON, DC 20510

July 1, 1988

Dear Colleague:

The drought facing America's farmers and ranchers is well on its way to becoming the worst in recent history. Not since the 1930s has America seen this type of drought devastation. Even worse is the fact that this drought could likely affect an even larger proportion of our food production capacity. Further, the drought and its effects will probably be felt beyond 1988.

Today's images of parched land and starving cattle serve as a sober reminder to me of the devastation that occurred when I was a young man growing up in the 1930s. But even then, I recall visiting other nearby states that were not so dramatically affected. Unfortunately, current drought conditions suggest that the situation will be even more far-reaching than those we faced in the 1930s. These difficult and unusual conditions require innovative and extraordinary responses.

During the coming debate on disaster assistance I will be working to gain approval of expanded authority for haying and grazing on more land than the Secretary of Agriculture has allowed to date. As you may know S. 2603, which was recently introduced in the Senate, would require the Secretary to allow grazing on land in designated disaster counties and drought-affected areas of contiguous counties. While that is certainly a step in the right direction, I believe we can and should do more. The feed value of land in drought-stricken areas is of little or no use to many livestock producers.

While the Conservation Reserve Program (CRP) represents a commendable goal which I support, we are facing a threat to our entire food-producing plant. It does not make sense to me to see drought-ravaged land in one region neighbored by pristine, untouched land in the same region which could be utilized to help offset the tough blow which nature has dealt our nation. While CRP land should not be damaged in frivolous fashion, we must work in a cooperative, nationwide effort to protect our production of food. America must protect its food security. In addition, if our export markets are lost, they are very difficult to regain as we have painfully found out in the past.

Again, the drought relief bill which has been introduced is a step in the right direction which I cosponsored. However, as we move ahead with legislation in this area, I urge all of us to labor toward long-term solutions and think in terms of preserving America's food supply.

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This is a nationwide problem which demands our attention and utilization of all our resources to recover from it. S.2603 goes a long way toward providing financial, material, and other assistance to drought-stricken farmers and ranchers. We must go further and make sure that we have a vibrant and self-sufficient America remaining when the drought is over.

I appreciate your consideration of these ideas and work forward to working with you.

With best wishes.

Sincerely,

J. James Exon
United States Senator

The **Chairman**. I want to thank the senior Senator from Nebraska for the work that he has done, the comments he has made on the floor, the comments he has made to me, the suggestions and drafting work he has done on the legislation. It has been extremely important, and I don't think there has been a day in recent weeks that the Senator hasn't gone out of his way to mention to me and a number of others the severity of the drought and the steps that should be taken to correct it, and I appreciate that.

Thank you very much.

Senator **Exon**. Thank you, Mr. Chairman.

The **Chairman**. Senator Boschwitz, you were next, sir.

STATEMENT OF HON. RUDY BOSCHWITZ, A U.S. SENATOR FROM MINNESOTA

Senator **Boschwitz**. If I may return to Secretary Myers, I see that Secretary Goldberg is also up there. As they know, I took a rather extensive tour of my State, which I am going to be continuing during the coming 10 days, and will see most of the crop production counties of our State. I must compliment the Secretary and you, Peter, and the others. You have moved very fast. My Governor said that his brother couldn't have done better. And my Governor is not of the same Party I am, so that made it particularly noteworthy. Even our Agriculture Commissioner, with whom I have sought to work—with whom I don't often agree, but with whom I have sought to work in this matter, because this is not a time for partisanship—has had some nice words to say. So you guys must be doing something right.

I took an English farmer with me on part of this drought tour. When I was over in Europe I asked the American Embassy to take me to a British farm, and they did, and I have become friends with that farmer, and he has come over to Minnesota. He had been in Ethiopia, and he noted that the drought, the extent of the drought here is worse than it was in Ethiopia; that the percentage of crop loss is greater. We, of course, have large reserves, and much greater capacity than we can even use, so that we don't stand to be quite as threatened as the Ethiopians.

The scope of the drought when compared to Ethiopia is an interesting way of putting it.

The Senator from Nebraska has just talked about some long-term contingencies. I would respectfully differ with the Senator in the sense that I think that this plan is a very comprehensive plan. With regard to long-term contingencies, I note that the Secretary has purchased some meat. It is extremely important that cattle prices remain high so that people shouldn't have the sense that they have to liquidate their stocks, that the bottom is falling out of the market and that they have to run to the market with their animals. Next year, God willing, we'll have a nice crop, and that's most often the case, that a drought year is followed by quite a good year, and we have to have somebody around to munch that crop and to eat it up.

So that I would hope that as you use EEP, that——

The **Chairman**. To do what with that crop?

Senator BOSCHWITZ. Munch it, Mr. Chairman. That is a technical term.

The CHAIRMAN. You farm States really know all the basic terminology.

Senator BOSCHWITZ. It is important that the livestock remain out there and not be liquidated in large numbers in the marketplace, because that could create new problems next year.

It would be my hope that the EEP could be utilized in a manner to perhaps see that we get some larger sales of processed meat abroad and that that might be a way to go. I wonder if you would comment on that?

Mr. MYERS. Well, it always makes sense to export value-added products, and that's something that can be further pursued under some of the Department's programs. We will continue to pursue. And I really believe that our success with the Japanese will be significant in beef alone, and of course, we can go beyond that in the promotion of boxed beef and boxed pork and poultry—hopefully, even some catfish.

Senator BOSCHWITZ. It is important to hold the price up so that farmers do not have the sense that they have to get rid of some of their cattle.

Mr. MYERS. Absolutely. And along with that, we've just extended credit to the Mexican Government to purchase meat as well. So we're doing, I think, all we can within the means that we have, and we'll continue to look at other ways to increase the purchase of animal protein.

Senator BOSCHWITZ. Is the chairman leaving?

The CHAIRMAN. Oh, no, heavens.

Senator BOSCHWITZ. I would say to the chairman——

The CHAIRMAN. I wouldn't dare leave while this bill is here on the table—I'm not suggesting anybody would vote different than I would probably vote anyway——

Senator BOSCHWITZ. I will offer an amendment, Mr. Chairman. I have some very large food processors who have millions of chickens, in one case, millions of turkeys, or very, very large feedlots in the case of Cargill or Hormel and people like that. They are going to get $50,000. And I am going to have an amendment that will phase out the $50,000 after you hit a certain threshold of volume, a couple million dollars. Otherwise, I'm afraid that our plans are going to be held to ridicule in the press, and they are going to find these very large agricultural processors who are getting help from the American taxpayer and so forth. And you know how these people are always found by the press, and the amounts are sometimes not large in relationship to the whole program, but nevertheless are important. It undermines some of the confidence in agriculture programs.

The CHAIRMAN. I might say, if the Senator would just yield for a moment on that point, various members have suggested they do have amendments that they are going to want to raise when we start marking on the bill. I would encourage any Senators who can—and certainly, nobody is precluded from bringing up an amendment any time they want—but I would encourage Senators who do have amendments if they could let Senator Lugar and me know as soon as possible, at least the general outline of what it is they are going to want. I would urge that on both sides of the table, if possible even today, so that we can start looking at them. We have been trying to work with the Department and with everybody else on numbers, amounts, and of course, the House has an interest in this.

I would expect that we will start in very actively on the morrow on the actual line-by-line marking up. I don't think anybody is interested in trying to pull surprises; the last thing in the world that the people hurt by drought need is a surprise. And to the extent that we can get any of that in, know what it is, we can start working on it.

I emphasize again, of course, that no Senator is precluded from bringing up an amendment any time they want, up to the time of final passage on the floor.

Senator **Boschwitz**. I just got some language on that, as a matter of fact, during the course of this hearing, and I'll give that to you. I have talked to Senator Lugar about it and Senator Cochran and his staff as well about it. So I certainly agree, and we will submit them.

I must tell you that I have to work over in my mind this idea of making payments to feeders who don't grow their own grains or feed. These people took a chance on the market. I mean, they simply went into business and decided that they would take a chance with the costs in the market, not unlike a retailer. They didn't undertake a very large investment in land; they have a smaller operation in one sense and larger in some other senses.

The feeling around this table, some Senators have always talked about the idea that we want high prices for feed grains, and other agricultural products, and the prices of all these other items—meat, hogs, chickens, and other things—would follow. I have listened to many of my colleagues on many occasions say that we don't need programs for livestock, because if the corn price rises, experience is that the price of meat and other products that come out of corn rise along with it. So they say we shouldn't be concerned about artificially raising the price of one commodity; it won't hurt the livestock producer, because his prices will rise in the nature of things.

Now we suddenly find ourselves making payments to these people who decided to buy feed on the market. I can't distinguish between them in my mind entirely from a retailer, because this bill is not only for the farmers, but it is for rural America. I have talked to some retailers in rural America—you certainly have a drought in your sales if you have a store out in rural America at the present time. There is really no relief in this bill for them, no meaningful relief for them, but yet there is meaningful relief for a livestock producer who doesn't produce his own feed, but simply has a feedlot or something of that nature.

Peter, may I ask, do you have any thoughts about that?

Mr. **Myers**. Well, I'd share your same concerns, and so does the Secretary. But we feel, given two caveats—number one, the compromise we are trying to effect in working with this committee to have a bona fide drought relief bill; also the fact that there will be a $50,000 cap on this so that large feeders would not be able to take great advantage of this particular program. These would be the two limitations that would make it less objectionable to us.

But we, in the spirit of compromise, have accepted this particular provision of the bill.

Senator **Boschwitz**. Finally, Mr. Chairman my amendment would say that when you get to $2 million, that for each $100,000 of volume over $2 million, the $50,000 go down by 10, so that feedlots or chicken dealers or other livestock or fish people who have over $2.5 million in sales would not receive any aid—in the case of farmers, it's about the same.

Mr. **Myers**. That makes sense, and I think that's something we would like to look at with you.

Senator **Boschwitz**. Thank you.

The **Chairman**. Senator Pryor.

STATEMENT OF HON. DAVID H. PRYOR, A U.S. SENATOR FROM ARKANSAS

Senator **Pryor**. Mr. Chairman, I will not bring these matters up now, but ultimately, in the course of the next day or two, or maybe later today or tonight, I will want to address the area of some soybean modification language in our proposal as we have it now. And second, Mr. Chairman, I might want to discuss the area that Senator Boschwitz has brought up, and that is the poultry section. I will not discuss those issues at this time, but at the proper time, when we get down to the drafting, I would like to be called upon to discuss those two areas.

I thank you, Mr. Chairman.

The **Chairman**. I appreciate that. As I said, I understand from some Senators, both those who are cosponsors and those who are not on the legislation, that they may have some other ideas. Please try to get them in to us as soon as you can.

So everybody understands, the piece of legislation introduced this morning was a core piece of legislation to try to track as closely as possible that being introduced in the other body.

Now, I would hope that we will not try to write the 1990 farm bill on this legislation, and I don't think Senators want to do that. We have worked practically around-the-clock for days to get this core bill, and certainly understand there will be some other ideas.

I would hope that what we finally come out with from this committee will be very, very close to what we will come out with on the floor of the Senate.

Again, I want to emphasize why it is so important that we try to be as complete and as exhaustive in this committee as possible. If we are able to go to the Senate leadership and give them the outlines of what we are going to have for the legislation, we may very well be able to then have a time agreement and bring the matter up and dispose of it in a timeframe of 1 or 2 days on the floor.

Senator Bond.

STATEMENT OF HON. CHRISTOPHER S. "KIT" BOND, A U.S. SENATOR FROM MISSOURI

Senator **Bond**. Thank you very much, Mr. Chairman.

I advise my dear friend and colleague from Minnesota that I want to take issue with him, and I ask him to stay here to listen for just a moment as I wish to provide what we consider the rest of the story.

We do have a lot of hog and cattle producers in Missouri who don't have land in production, but they have been hit by the drought just as surely as somebody who has got pastures, who has got crops in.

One fellow in particular, a hog producer, with 50 sows, sells about 40- or 50-pound feeder pigs. Over the past 9 weeks, hog prices have fallen from $60 per head to about $15 to $20 per head. At the same time, his feed prices have shot way up. And frankly, he indicates that he may go out of business without some kind of assistance. I think this program to help the livestock producers who don't grow their own crops or have pasture is absolutely essential. I think it is very important in my State, and I would argue that he is much different from the retailer—he is, in fact, engaged in agriculture just as much as somebody who has pastures or crops.

I thank you for listening.

Senator Boschwitz. If you go downtown and talk to the retailers he normally does business with, their volume is probably off by half.

Senator Bond. And those retailers' volumes will be back up when you pump——

Senator Boschwitz. So will the other.

Senator Bond. No, it won't; no, it won't. This guy will be flat out of business.

Well, thank you, Rudy. I appreciate your attention. But I wanted to make sure that Pete knew there was not a unanimity of concern about that. As a matter of fact, we feel the other side of it.

I did want to ask Pete if there is sort of a nebulous concept in there that is going to require some kind of judgment by the Secretary when it says you have to be able to obtain feed without undue financial burden.

Do you know how you are going to implement that, or do you have suggestions for us on more specific standards that might be required?

Mr. Myers. Well, obviously, since we have just seen the language, even though we did work through the weekend with the staff, we don't have specifics, Senator; but I think we can come up, given the fact that we'll listen to language that you'll have in committee or on the floor, and get a concept that we can understand, and I think as a producer myself, I can figure out what undue financial hardship will be, or whatever it will be.

Senator Bond. One of the things that we have kicked around is something like 150 percent, when it passes 150 percent. There is no magic in that figure, but——

Mr. Myers. No; it will be difficult, and people don't like to give their financial records. That's the last thing they want to give. They don't mind giving yields and acres. So it will not be done easily.

Senator Bond. Another thing we have talked about is the multiyear set-aside program. You have got the authority in the 1985 farm bill now to do it. If you had a multiyear set-aside, if people planned cover crops and knew they could have acreage idled for several years, perhaps get some State cost-share, they would increase their protection for another drought year like this. Any plans to implement a multiyear set-aside?

Mr. MYERS. Not with extra financial assistance on multiyear set-aside. But we have promoted multiyear set-aside actively for the first time this year, and hopefully with State fish and game agencies and State natural resource agencies, we can see more of multiyear set-aside.

I like the concept of a forage bank in multiyear set-aside for drought years. I think that does make sense, too.

Senator BOND. That's something that we commend you for and that we think is necessary.

PIK certificates—any consideration of waiving the 5-month period for redeeming them? In fact their trading below face value has caused a good deal of concern.

Mr. MYERS. They are really not trading too much—and you are right, they have traded below 100 percent. When I was home 2 weeks ago, I looked at my son-in-law's daily log, and the lowest they got was 97 percent. He logs market prices every day, and they are actually up above 100 percent now. We are not really considering changing what we are doing with PIK certificates.

Senator BOND. Do you have any idea when producers will have to repay unearned advance deficiency payments? Would you just subtract them from next year's, or would there be a date when they would have to pay them back?

Mr. MYERS. We have always deducted from future payments. Instead of making them write a check——

Senator BOND. It's a lot easier to write a smaller check than to get one sent back.

Mr. MYERS. Absolutely, absolutely.

Senator BOND. The final thing I wanted to bring up with you—I spent a very frustrating couple of hours yesterday with my staff, trying to go over and figure out how these formulas worked on various things. I realize there is a complexity in them to try to assure basic equity, but I can see farmers really having some difficulty trying to figure out all the nuances of it. I guess the farmers have done pretty well figuring out how to work the Government programs, but are you going to need additional resources for the ASCS? Do you have ideas—how can we help you make this intelligible so we won't have a great boon to the consulting lawyer and accountant industries?

Mr. MYERS. The answer is yes, we will need additional resources in the ASCS offices, and yes, we will make it simple enough that they can understand. And knowing our good farm publications, they'll pick up on this rather quickly, and they'll also tell the folks out there how it's done.

It looks complicated on the surface; I think once we get to figuring it, it's not that bad, unless we get too many complicating factors in there.

Senator BOND. I think once you have your own financial well-being in that formula, it'll probably work out a lot better than it will for us, trying to do it in theory.

I just want to say once again how much we appreciate the responsiveness which you and the Secretary have shown. The State ASCS people have been most helpful in our State. You have responded promptly, without panic, and with a full understanding of the needs and the real crisis that our farmers experience. When times are as tough as this, people get mad and yell and scream from time to time, but I can tell you that what you have done in our State and the response that you have made to this committee has really been outstanding, and I appreciate it.

Thank you.

Mr. **MYERS**. Well, I would just turn to Mr. Hertz and not ask him anything, but give him the credit, and his folks in ASCS, who I think have done a magnificent job; the folks in the counties and the folks in Washington who have really responded. And I will accept that credit on behalf of them, Senator.

Senator **BOND**. Thank you, Mr. Chairman.

Senator **MELCHER** [presiding]. According to Chairman Leahy's list, I next recognize Senator Conrad.

STATEMENT OF HON. KENT CONRAD, A U.S. SENATOR FROM NORTH DAKOTA

Senator **CONRAD**. Thank you, Mr. Chairman.

I would like to take you back, if I could, Mr. Secretary, to the questions of savings and cost and ask you if you have a best estimate on savings and cost data at this time, and if you do, what those numbers show.

Mr. **MYERS**. Senator, we really don't. As the Secretary said initially, we estimate that from $9 to $11 billion will be deficiency payments for the 1988 crop. But we'll have a little better handle after the crop report comes out in 50 minutes, because then we'll know the size of the crop—well, we won't know it, but we'll begin to see the picture unfold.

So we cannot give you an accurate savings at this time, because we won't know what the crop size will be or the crop prices.

Senator **CONRAD**. Have you done any estimates based upon percentage of crop loss—that is, have you done any analysis that shows if we experience a crop loss of 25 percent, this is what we will experience in the way of savings?

Mr. **MYERS**. Not an in-depth analysis, no, not overall that I would want to hang my hat on at all at this time.

Senator **CONRAD**. No in-depth analysis; that would suggest that there has been some analysis done?

Mr. **MYERS**. There has probably been "quick and dirty" work done, but there has been no real analysis done.

Senator **CONRAD**. When would such an analysis be done?

Mr. **MYERS**. I will turn to my economist—Keith? (Conferring with staff.) At the midsession review, as the Secretary said, we will have that analysis on crop that will come out toward the end of the month.

Senator **CONRAD**. So, the analysis will be completed toward the end of this month. Will this give us an idea of what the savings would be?

Mr. **Myers**. It would begin to give us an idea, but we really won't know until we see what that crop is in August and September. Now, we'll have a fairly good handle on corn, but we really don't know about soybeans and sorghum and——

Senator **Conrad**. Let me ask this: As a result of the numbers that are coming out today, in 50 minutes, will a rough analysis be done on the basis of those numbers of the savings resulting from the drought?

Mr. **Myers**. Yes.

Senator **Conrad**. And how soon could that be available to us?

Mr. **Myers**. Again, I'll turn to the economist. (Conferring with staff.) That will be in that midsession review, because we are waiting—and that's right—we discussed this just recently, and in order to do a reasonable job with those figures, it will come out with that midsession review, Senator.

Senator **Conrad**. Has an analysis been done of the cost of the program that is before us?

Mr. **Myers**. No.

Senator **Conrad**. We have a staff cost analysis of $5.5 billion. This is without the livestock provisions, we are told.

Do you have any sense that is close to being correct? Do you have absolutely any knowledge of whether or not that is correct? Could you give us some reaction to the figure of $5.5 billion?

Mr. **Myers**. Cost of the program, you are talking about?

Senator **Conrad**. I am referring to what is in this bill.

Mr. **Myers**. We don't really know, but as the Secretary said, the savings would be sufficient, we believe.

Senator **Conrad**. Well, how do you make those statements if you have no idea of either the savings or the cost? How do you say it covers it if we have absolutely no idea of either the savings or the cost?

Mr. **Myers**. When we look at the fact that there is going to be from $9 to $11 billion set out in the budget for deficiency payments, and we look at the crop prices that we have today, we can make a rough analysis, but not a good analysis, of what the costs will be and what the savings will be.

Senator **Conrad**. Well, tell us what is the rough analysis in terms of savings and cost?

Mr. **Myers**. We don't know. We can give you a rough estimate, but there is no sense throwing figures around if they are not accurate, and they can't be backed up with reasonable data, and you understand that.

Senator **Conrad**. I understand that, but I also understand we are in the position, those of us who represent areas devastated by drought, to try to do the best we can by the people who are suffering from this drought.

The general principle enunciated has been to use the savings to cover a drought program.

Mr. **Myers**. No, the bill doesn't say that. The bill lays out, as I understand it—and I haven't seen it—it lays out a certain percentage of loss, and beyond that, it will make up the difference. So it is not projected on savings. We are not telling the farmer that he has to wait and see what the savings are. We are telling the farmer in this legislation that he will get a certain amount of protection.

Senator **Conrad**. That's correct, but the general notion that has been guiding the work around here has been that savings will go toward drought relief.

Mr. **Myers**. We are saying savings will be adequate to cover the cost of what is in this legislation.

Senator **Conrad**. That doesn't answer this question—could the savings potentially be more than the cost of this program? In other words, is there additional room to provide relief to farmers?

Mr. **Myers**. That, I can't give you an honest answer to at this time, based on the figures that we have.

Senator **Melcher**. Would you yield, Senator?

Senator **Conrad**. Yes.

Senator **Melcher**. I think what I understood the Secretary to say is that the new baseline will be out by the end of the month——

Mr. **Myers**. That's right.

Senator **Melcher** [continuing]. And that would provide your best projection then.

Mr. **Myers**. That's right.

Senator **Melcher**. And that's at the end of this month—because we are operating under a February 1 baseline right now, so there would be quite an adjustment between the February 1 baseline and the July 30 or whatever date in July it is.

Senator **Conrad**. Well, let me try to get at this another way. What I'm trying to figure out is if there is any room to sweeten the pot here.

If you look at this bill, those who are not covered by Federal crop insurance and who have a significant loss are at a substantial risk, as I interpret the numbers. What I am trying to determine is if there is any budget room in order to make some rough adjustments, fine-tuning of this proposal, in order to take care of some of those problems that we identify. That is really what I am trying to find out here.

Mr. **Myers**. And I can't honestly give you a good, objective answer at this time, based on the figures that we have.

Senator **Conrad**. All right. I appreciate that. I can understand why that would be so.

It makes it very difficult, because if we change the formula slightly—for example, if we go to 75-25 instead of 65 percent based on a 35 percent loss, do we have any sense of what additional cost is experienced as a result of that kind of change?

Mr. **Myers**. We can calculate it, but we have not at this point. In 1986 when we had the drought, a producer had to have a 50 percent loss. So I think we are beginning at a higher point already at 65 percent. And were I a producer in the country now, I think I would be comfortable with the figure. Knowing I was going to have at least 65 percent to look at as I faced my bills that I had to pay my banker, or my production credit association in the fall.

Senator **Conrad**. Well, again, I understand that this may be your view. I am saying that there are others who are out there, people who are not covered by Federal crop insurance, who have some significant vulnerability under these numbers. Some of us would like to take care of this group to the extent possible. The only way we'll know whether it's possible or not is to have some sense of how close we are to using up the budgetary savings.

Any rough calculations that you have that would give us some idea would certainly be helpful. I would be glad to submit to you some of the thoughts we have on relatively minor alterations in the formula, if you could give us some idea of what kind of budgetary change that would mean.

Mr. MYERS. We can look at a 75–25, but still, it would be conjecture as to what the crop loss would be at this time, because really, we don't have a fix on that crop.

The CHAIRMAN. And also taking into consideration in looking at these numbers, you have to understand that we are looking at crops other than those that would be under deficiency payments, so that it would be one thing as far as looking at these savings as savings from deficiency payments to whatever crops, if we were to change the bill just to cover those crops with deficiency payments. But if we are going to keep in nonprogram crops, then we have an entirely different picture.

But on the numbers, I think it is essential that we work as much on the numbers as we can. One of the reasons I am glad we are going with legislation now and not 3 or 4 weeks ago is because we would not have had as good a fix on what those numbers might be—but I share the concern of the Senator from North Dakota to know just where and how much the savings are.

Senator CONRAD. I have one other question, Mr. Secretary. Could you give us some idea on a range of savings and cost by commodity? I know these calculations are difficult to make, but we need a general idea. For example, if you have a 25 percent loss nationwide, here are a range of savings, and here is a range of cost of the legislation that is before us.

Mr. MYERS. I would love to if you could tell me what the yields are going to be and what the weather will be between now and then.

Senator CONRAD. Are you saying to me you can't calculate it?

Mr. MYERS. No. We can give you a worst cost and a best cost.

Senator CONRAD. If somebody says to you there is a 25 percent loss, you can't calculate what the savings are?

Mr. MYERS. You can't. What is the price of corn and cotton going to be——

Senator CONRAD. You've got an estimate of price, correct?

Mr. MYERS. Estimates, yes.

Senator CONRAD. Well, that is all we are asking for. It is going to be virtually impossible to deal rationally with this legislation if we have absolutely no idea what effect a formula change will have on the budget. There has to be some way of giving us an idea of what happens if you vary the formula by 5 percent one way or 5 percent another, some rough idea. Isn't that possible?

Mr. MYERS. We can give you a range. But I will tell you it will be a range and it will not be based on reliable figures at this time.

Senator CONRAD. We understand. We are not looking for certainty. We are looking for proportion and to put things in context. I don't know how else we deal with this bill if we don't have some way of making judgments about any change that will be proposed here. It seems to me there are going to be changes proposed. We have to have some way of analyzing what those changes would mean.

Mr. MYERS. The range will be so wide I don't think it will give you the answers you want, Senator. I honestly don't. And I know what you are seeking. You are looking to see if there is a little more savings that can be used. But the range will be so wide that I don't think it will give that answer. Because there are so many factors involved here.

Senator CONRAD. Let me ask one final question. On the livestock portion of this, is there any estimate of the cost?

Mr. MYERS. No.

Senator CONRAD. I think both of those estimates need to be looked at carefully and submitted for the record. We don't know what the prices are next year, this fall, and so forth, in trying to make these kinds of decisions, but to the extent that you can make various kinds of estimates, then I would appreciate them for the record as soon as possible.

[The material follows:]

INFORMATION FOR THE RECORD OF THE JULY 12 HEARING BEFORE THE SENATE COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

The information provided relates to questions by Senators Conrad and Karnes concerning the range of outlay reductions for the Commodity Credit Corporation as a result of the 1988 drought.

Mr. MYERS. Impacts from the drought on the 1988 crops will largely affect budget outlays during FY 1989. In the President's Budget, submitted in January 1988, outlays for the Commodity Credit Corporation for price support and related activities for FY 1989 were estimated at $17.1 billion. This figure reflects yields for the 1988 crops that are assumed to be on trend, as determined from the recent history of yields.

Assuming a hypothetical yield reduction of 10 percent for the major program crops, a budget reduction of about $2.5 billion from the FY 1989 baseline estimate has been estimated by Department analysts. A hypothetical reduction of 25 percent in the yields for these crops could reduce program costs by as much as $8 billion during FY 1989. As of today's hearing, however, we do not know how much drought damage there will be, and we may not know it for weeks or months to come. Therefore, any estimate of the effects of drought on the budget for the commodity programs is highly speculative.

We also do not know the extent of potential livestock feed losses. Based on previous drought experiences, it is possible that the 1988 drought could result in cost-share payments, under the Emergency Feed Program, of up to $1.0 billion. Again, this is a highly speculative estimate. Much more information will be needed before a more accurate estimate can be derived.

Mr. MYERS. That is what I would prefer to do, Senator.

Senator CONRAD. Mr. Goldberg, did you want to say something?

Mr. GOLDBERG. No. I was going to make a comment. That is all right.

THE CHAIRMAN. Senator Karnes. And Senator Daschle.

STATEMENT OF HON. DAVID K. KARNES, A U.S. SENATOR FROM NEBRASKA

Senator KARNES. Thank you, Mr. Chairman.

I, similarly, had questions about the cost of the provision and the understandable uncertainty that we have at this point in time. I guess that prompts me to ask a question about the procedure that the Office of Management and Budget uses. Obviously, they are going to, as Senator Melcher indicated, around the 30th of the month, release, I understand, sometime in August, midterm, midseason review numbers. My question would be directed as much at OMB as at you, as to what basis they will use. I guess they will take a snapshot of prices as of the close of business of the midseason and then proceed from that point to——

Mr. **Myers**. They will use our figures, Senator. In fact, that is why they are waiting, is because we wanted to give them the accurate data from this report today to use for their baseline. So they will use the figures, as far as agriculture is concerned, that we supply them, and the analysis that we supply them.

Senator **Karnes**. Their baseline will be based on the figures that you will be releasing here today at 3 o'clock?

Mr. **Myers**. That will be the starting point, the crop report, and then we will do the analytical work from there. Our budget office will do that.

Senator **Karnes**. For them, and then——

Mr. **Myers**. For them, and they will use those figures.

Senator **Karnes**. OK. So we will know quite a bit more here today than we do——

Mr. **Myers**. We will have a beginning.

Senator **Karnes**. Will there be adjustments made as we get closer to working out this legislation? Will that just be a baseline?

Mr. **Myers**. Well, we will have that baseline to go from. That is the baseline on the budget that we will go from. That will be our crop yield—not our crop yields, our crop acreage and estimates. But it will not be a yield today.

Senator **Karnes**. Again, as you were pointing out to the Senator from North Dakota, without the yield number it will be still a bit speculative as to the cost; correct?

Mr. **Myers**. That is true. But there will be condition of crop and this type of thing, which we have weekly right now.

Senator **Karnes**. Well, I too would be very interested in seeing whatever assumptions you can make on cost based on the results that will be disclosed today.

Mr. **Myers**. We will submit those for the record after we get this crop report.

Senator **Karnes**. It is important to put in perspective again with agriculture programs in the past we have been plus or minus 50 or 75 percent on costs, and you have commented to me, as well as has Dick [Lyng], about the difficulty in anticipating any cost in the agriculture program when you are dealing with Mother Nature and also the vagaries of international trade and commodity prices.

I think all of us are concerned about the costs, both not spending enough and some of us—all of us here, I think, spending too much, making sure that there is equity and fairness not only to the taxpayer but as well to the program.

Have you talked to the people at OMB at all? I almost feel like I should have Jim Miller up here to participate in this discussion. Have you talked to them about their plans based on this proposed legislation?

Mr. **Myers**. They have been in on our discussions of drought. Every time that we have discussed drought assistance, we have had a policy official from OMB with us.

Senator **Karnes**. What has their attitude been toward this?

Mr. **Myers**. They are going to follow our guidance. They have had no difference of opinion at this point as we have discussed proposals with them, as things have shifted, and, of course, they have not seen this legislation at this point. But here again I know they are going to take the lead from the Secretary and we will work with them as we always do.

Senator KARNES. I am hoping that the attitude which has prevailed, I believe, up here on the Hill; that the savings that would be incurred—or would be achieved as a result of the commodity prices increasing, would be savings that would then be available for this disaster. Does OMB share that viewpoint?

Mr. MYERS. That is the point that we would also make, as you will make, to them.

Senator KARNES. And the timeframe, when they do their midseason review and they come out with a new baseline, is it your understanding that will make it more difficult for us to then get the approval from OMB to move ahead with what may be a very expensive disaster assistance program?

Mr. MYERS. No, not necessarily. And then, again, I can't speak for Jim Miller. But I can say that we have been working very closely on all drought assistance and have had no difficulties with OMB up to this point.

Senator KARNES. Well, that is very encouraging to hear, and I am looking forward to that type of cooperation from them as well.

Let me just make one final observation. One of the concerns that I have had all the way through as I travel around my State, and indeed it is not as impacted as some of the other States, our northern neighbors to Nebraska, but the small businesses in particular that are going to indirectly feel the impact of any drought. Even if we look at a 35 percent loss deductible, if you will, prior to eligibility for participation with the assistance package will have a direct impact on discretionary spending in small communities and the continuing ability of those small businesses in rural areas to prosper and sustain themselves.

I would like to have the Department give serious consideration to making an active effort in the small business area. I think there is a program called the Ag Credit Insurance Fund which they work with with small businesses and also with lending institutions. I am not particularly familiar with the program, but my staff has indicated that there are some special small business programs available for rural small businesses. That would be in the form of a guarantee program. That if we do have some access funds that have not been expended or have not been allocated, I would appreciate special consideration given to making those funds more readily available than they have in the past.

Mr. MYERS. If I understand your question, and I have again not seen the legislation, that is addressed. We should look at economic development in rural areas, which we are doing. Interestingly enough, we have the USDA leaders from all 50 States in for a rural development conference today and tomorrow, and that is one of the things the Secretary addressed with them this morning, is that we can continue to put emphasis on rural economic development. I think the program you are referring to is our Business and Industry Loan Guarantee Program, where we do guarantee loans in rural areas.

Senator KARNES. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

STATEMENT OF HON. MITCH McCONNELL, A U.S. SENATOR FROM KENTUCKY

Senator McConnell. Mr. Chairman, I understand that we are about to have a vote here anyway. I just wanted to make a couple of observations, if I may.

Pete and Dick, it is good to see you here, and I want to congratulate you for—one problem we do have that I——

The Chairman. Senator Daschle has been here for almost 2 hours now waiting to get a——

Senator McConnell. If I might say to my friend from South Dakota I am going to use 2 minutes. I have got to cochair a hearing with Senator Kerry back in the Hart Building.

The Chairman. As long as there is no objection.

Senator McConnell. I don't want to delay the Senator from South Dakota, but I am not going to be able to stay any longer. Is that a problem?

The Chairman. If the Senator from South Dakota has no objection.

Senator Daschle. That is fine.

Senator McConnell. Thank you, Mr. Chairman. And I apologize to my friend from South Dakota. I have two things going on at the same time.

I just want to thank Pete and Dick for coming before the committee, and to congratulate the Department for its effective reaction to this disaster and quick response.

Last Tuesday, a week ago today, I was across Kentucky, taking a look at our situation. It is pretty much like the rest of the Midwest in terms of corn and soybeans. The winter wheat crop, of course, got in on time. We may luck out with regard to Burley tobacco because it tends to need rain later in year. So there is a chance that we may be all right with regard to that crop.

I join with others in cosponsoring the bipartisan bill today, and the chairman of our committee has done a fine job in leading us in the direction of a bipartisan solution, and I just wanted to commend everyone involved in the issue this year for the spirit of bipartisanship that permeated this whole matter from beginning until today.

So thank you very much for being here. And thank you, Mr. Chairman, for your indulgence, and the Senator from South Dakota.

The Chairman. If the Senator from South Dakota wishes to start before the vote, I would be happy to. Otherwise, I will recess and put him in the chair when we come back to start it right up, whichever you prefer.

Senator Daschle. Mr. Chairman, let me start as long as we have a couple of minutes.

The Chairman. Go ahead.

STATEMENT OF HON. THOMAS A. DASCHLE, A U.S. SENATOR FROM SOUTH DAKOTA

Senator Daschle. We may not have to go on that long.

I haven't had an opportunity to say anything publicly with regard to the bill itself and I want to use this occasion simply to add to that which has already been said, which is that you and the ranking Member deserve a tremendous amount of commendation for the effort put forth in the last few days to come to this point. And I mean that sincerely. This is about as contentious and about as difficult and perplexing a period of time as we will face, and you and members of the Department, as well as the ranking Member, have really demonstrated the kind of bipartisan leadership that we need.

I would like to ask at least one question for now, and then I have three questions remaining immediately following the vote. The drought is just another example of the unbelievable devastation caused in South Dakota in the last several years by a myriad of different natural disasters. We had a flood in 1984 that I know our two members of the administration are very familiar with. The devastation as a result of that flood was equal to, if not exceeding, the losses that we have incurred this year in South Dakota and along the northern tier.

What I am wondering is if the administration as a result of the long difficulty we have had in resolving benefits dealing with that flood of 1984—we have gone through a court. The court has indicated the farmers do have a right to disaster payments. The decision made by the administration not to appeal confirms their right. Would the administration support providing the same eligibility criteria to 1984 flood victims as we are now providing to 1988 drought victims in South Dakota?

Mr. MYERS. Well, I can't say whether we would until I see what we provided in 1984. All I could say is we would look at it.

Senator DASCHLE. But you certainly, philosophically, would believe that 1988 drought victims and 1984 flood victims, who experienced exactly the same damage, ought to be entitled to the same kind of compensation, would you not?

Mr. MYERS. No, I couldn't say that because there are different sets of circumstances, Senator, so I would have to look at both separately before I would make any type of response to that.

Senator DASCHLE. Well, we could go on and on here, but the fact is, Mr. Chairman, and members of the committee, this has been an extraordinarily difficult thing for a lot of these farmers. We have 35,000 farmers who are eligible for disaster payments, who had to go to court to get the court to say the administration ought to be required to pay those disaster payments. To date, 4 years later, we are talking about a new disaster now, not one farmer has received one penny of disaster payment assistance. So I would hope that somehow we could address that issue and before we go on with the next disaster make sure we have resolved the last one.

That is the only comment I would make at this point, and I would like to go back and ask a couple of additional questions.

The CHAIRMAN. The Senator raises a valid point, and I would like to see that comparison.

Why don't we now then stand in recess while we vote. I am going to be slightly late after the vote. I wonder, Senator Daschle, if you would be willing to take the Chair and continue the hearing when we come back?

Senator DASCHLE. Sure.

The CHAIRMAN. Thank you.

[Short recess.]

Senator **Daschle** [presiding]. The committee will come to order again. I am not sure how many additional members will be coming back. There may be another vote in the not-too-distant future, so we may want to proceed and, if any additional members come to the room, we will certainly call upon them as well to ask whatever questions they may have yet to be asked of the administration.

We want to thank both members for their willingness to continue to stay in light of the fact that most members have left.

I have three additional questions that I really wanted to ask prior to the time we adjourned the hearing. The first deals with credit. We have determined in South Dakota that there is going to be substantial need for additional restructuring of credit, Peter, and, obviously, the debt restructuring regs have not yet been released.

Can you give us any indication when those regs will be released and when we might be able to begin processing these loans for restructured debt?

Mr. **Myers**. To give you an accurate answer, I would have to do it for the record, but I would hope within the next 30 to 45 days. But let me say to you that we will be reasonable and compassionate in restructuring because we realize that this drought is going to really cause problems, and folks that are just getting back out on their feet. So I can assure you, in fact, I have talked to Mr. Vautour, with Vance Clark, and we realize that producers are going to have problems, and we are going to restructure. We are looking at a lot of alternatives.

Senator **Daschle**. The second question—and I appreciate that answer. I know you can't give me a definitive response, but I have to tell you the next couple of months are really critical. The crop hasn't come in, if there is going to be one. Deficiency payments haven't been paid, if there will be any. This is about as tight as tight gets for a lot of these grain farmers, and so to whatever extent we can give them assistance it is going to be very helpful to us.

The second thing that would be very helpful that I have heard time and again as I have traveled through my State is the disposition of Farmer-Owned Reserve grain. Farmers find it somewhat incongruous that they have to go to their neighbor to get Farmer-Owned Reserve grain, that they can't use their own.

What possibility would there be to unlock the Farmer-Owned Reserve grain on those farms that have it stored for purchases of the emergency feed program?

Mr. **Myers**. The corn is unlocked.

Senator **Daschle**. Wheat is not, though.

Mr. **Myers**. Wheat is not.

You want to answer that, Mr. Goldberg?

Mr. **Goldberg**. Well, one of the problems is who owns the grain. In the Farmer-Owned Reserve, the farmer owns the grain, so we don't have any provisions in the emergency feed program to make this happen.

Senator **Daschle**. But you have the authority, as I understand it, to release it, Dick, if you want to. And the question is, since you have already done it for corn, why would it not as well be possible for wheat?

Mr. GOLDBERG. We have not done it for corn either, I don't think. Have we?

Mr. MYERS. Well, the trigger point has been reached on corn.

Mr. GOLDBERG. You mean the trigger?

Mr. MYERS. Yes.

Mr. GOLDBERG. But that is a statutory——

Mr. MYERS. Yes.

Senator DASCHLE. But you have discretion to release Farmer-Owned Reserve grain——

Mr. GOLDBERG. No.

Senator DASCHLE [continuing]. In cases of emergency.

Mr. GOLDBERG. No.

Senator DASCHLE. That was my understanding. Am I wrong on that?

Mr. GOLDBERG. The only grain that we could release, for food security reasons, for food aid programs, is the 147 million bushel strategic reserve or whatever they call it now, the food security. But we haven't released any FOR corn.

Mr. MYERS. No, but we can. The trigger is there.

Mr. GOLDBERG. They can if it reaches the trigger.

Mr. MYERS. My counsel says there is a disaster provision, Senator.

Senator DASCHLE. That is right.

Mr. MYERS. We have to notify the President on it.

Senator DASCHLE. It takes the President and who else?

Mr. MYERS. And the Congress. So many days before? Fourteen days before we do it.

Senator DASCHLE. Well, what would be your position on doing that?

Mr. MYERS. We would have to look at it, see what are the reasons and who it would really help.

Mr. GOLDBERG. I don't know that it would be necessary, Senator, at this point. If you are talking about available stocks for emergency feed purposes, there is still plenty CCC grain to be used for that purpose.

Senator DASCHLE. Well, it depends on where it is. I mean, this grain is right there and that is the real advantage in having it, is that rather than saying you are going to release CCC stocks under the Emergency Feed Assistance Program in some other part of the country, you have farmer-reserve grain right there.

Mr. GOLDBERG. Yes. But, Senator, we have enough feed grain in South Dakota to take care of South Dakota.

Senator DASCHLE. Well, you may have. But the problem is transportation, is distribution. Again, as I say, you have that grain right on the farm, which is what most farmers are telling me would be the most helpful thing, and it takes 1 month for the CCC grain to be released. I mean, what do these people do in that month's time?

I mean, that is the issue. There is a practical way that most farmers tell me we can resolve it, and that is simply allowing them to use Farmer-Owned Reserve grain.

Mr. GOLDBERG. I think we can take care of your problem. Your problem is whether the farmers have grain to use under emergency feed programs. And if you tell me where you have areas where farmers are unable to get CCC stocks, we will move grain into those areas where they will have allocation for those stocks.

But I can't imagine in South Dakota with the amount of corn and barley we have down there that that would be a problem, unless you have some specific area in turn. But I would be glad to look at it for you.

Senator **Daschle**. Well, it has been reported to me, and what I would like to do with that kind of commitment is give you some specifics with regard to where we might address a better solution to the problem of distribution than we have right now.

But that is one of the problems that as I have held my drought meetings and talked to farmers about this that they have complained about. We have this grain here, why can't we use it?

Mr. **Myers**. Now they are talking about corn.

Senator **Daschle**. They are talking about corn and wheat.

Mr. **Myers**. Not wheat. Because corn, the farmer that has it, it is triggered out and he can take it out.

Mr. **Goldberg**. Yes, that is true. But we have allocated, and I would have to look at all of the counties in South Dakota, but we have allocated in most counties throughout the United States where they have been designated, and all of the State of South Dakota has been designated, that ample CCC stocks would be available.

Senator **Daschle**. Well, not the whole State of South Dakota hasn't been.

Mr. **Goldberg**. Well, I would say that in all parts where they would be eligible there should be ample CCC stock. But I will look at it for you.

Senator **Daschle**. Would you do that?

Mr. **Goldberg**. Sure.

Senator **Daschle**. Last question is in regard to the Emergency Conservation Program. The Emergency Conservation Program has, as I understand it, a pool of around $10 million in it. Is that your understanding?

Mr. **Myers**. I think it is $8 or $9 million, if I remember right; yes. It is under $10 million. Somewhere between $7 and $10 million.

Senator **Daschle**. And of course, the purpose of it is to provide for some assistance to those who want to make stock dams, do other kinds of things, provide water quality to livestock—water quantity and quality. We have several applications—in fact, as I understand it, five applications—in South Dakota pending for the Emergency Conservation Program.

Any idea what is holding it up or how soon we might be able to respond in those cases?

Mr. **Goldberg**. You are talking about a specific issue. You are talking about the cost sharing under ECP.

Senator **Daschle**. That is right.

Mr. **Goldberg**. All I can do again, Senator, is to find out where it is and get back to you.

Senator **Daschle**. Could you get back to our office on that?

Mr. **Goldberg**. Sure. Be happy to.

Senator **Daschle**. Well, I don't have any additional questions. I understand that the chairman is planning to come back. So why don't we recess the hearing for now. And, if you wouldn't mind waiting until his return, he may have some additional comments to make or questions to ask prior to the time you depart. I appreciate your cooperation and attendance.

The committee stands in recess.

[Short recess.]

Senator **Breaux** [presiding]. The Agriculture Committee will please come to order.

They said that if you wait around long enough in this place you gain seniority, so I now find myself as acting chairman of the committee.

I thank the Secretary for staying. I just had a couple of questions that I needed to ask on my time, and Senator Leahy will be back in a moment.

I missed Secretary Lyng's statement, and I apologize, because I was chairing another hearing. But the question on administration support for disaster payments for nonprogram crops, what is the position?

Mr. **Myers**. We support that. We are supporting basically what is in this draft legislation, Senator.

Senator **Breaux**. Does it also indicate support by the administration on behalf of the waiver of any paybacks of advanced deficiency payments?

Mr. **Myers**. Now there is a formula on waiver of the payment.

Senator **Breaux**. Under the formula?

Mr. **Myers**. Under the formula, yes. The person that has a good crop would probably have to pay that back.

Senator **Breaux**. Is there a possibility—because the legislation, as I take it, does not take into consideration lost income but rather a loss of a percentage of the crop to trigger being eligible for disaster payments. My question is, rice farmers, for instance, may not suffer a 35 percent loss of their yields and the volume they produce but, because of the drought and the extra added burdens of the expense of irrigating, they would suffer an economic loss, something that would exceed 35 percent. If it was based on income as opposed to their yields which, because of the extra expense in irrigating, would bring their yields up to a point where they would not be eligible for disaster assistance—is that a possibility under the draft bill?

Mr. **Myers**. Not as I understand it. It would be based on yield. It would not be on the net income. I would be concerned about looking at that. Because anybody that irrigates, whether it is rice or not, is going to have greatly increased expenses this year but they are still going to have a good crop at a reasonable price.

Senator **Breaux**. The point I am concerned about is they could, because of the great increase, the substantial increase in cost of irrigation, end up with a yield that is fairly close to normal. Certainly enough to take them outside the 35 percent loss, and so they would not be eligible for disaster payments.

Mr. **Myers**. Right.

Senator **Breaux**. They could really be in a disaster situation. I mean, what we are talking about is not how much you can produce in terms of yield, but how much income you have. And I am just concerned that the legislation doesn't take into consideration loss of income. It takes into consideration loss of yields.

Mr. **Goldberg**. If I can, let me make two comments.

Senator **Breaux**. Sure.

Mr. **Goldberg**. One, no it is not in the bill, in the draft bill, and it is not in anybody's proposal that I have seen, Senator. But I think the rationale is that the percentage in order to be eligible for the loss is that those who have a higher percentage, I mean that have a higher percentage of crop survival——

Senator **Breaux** [interrupting]. Would take them outside of the disaster eligibility.

Mr. **Goldberg**. Would benefit from the increase in the market prices for most commodities because of the drought. In other words, I think the rationale in structuring the bill is that we don't want people to have it both ways.

Senator **Breaux**. I want to follow up on that.

Mr. **Goldberg**. In other words, I have heard farmers in my home State, the Senator's home State, say that if they have, just as a rule of thumb, a high percentage crop but much, much lower percentage than a year ago, with the increase in the market price because of the drought in other places, on balance they are going to be about as well off as they were last year.

Senator **Breaux**. Would give me the names of all of those farmers, please, Dick?

Mr. **Goldberg**. Well, there are some. And by the same token, you have got farmers in other parts of the country, in the Southwest, for example, where they had superb winter wheat crops, and they will benefit at the expense of a lot of the less fortunate farmers who didn't have any crop at all. I think that is the theory anyway.

Senator **Breaux**. Now getting back to rice as an example. In theory, you could have the same amount of production because everybody has to go through a tremendously added increase in cost of irrigation. So the price of the product, because the same volume is produced, remains about the same as it was last year. But everybody who has had to irrigate, and is going to have a lot more increase in costs, could suffer a dramatic decline in income and viability as a farmer because of the drought situation and yet not be eligible for any assistance under this particular program.

Mr. **Myers**. They could suffer an increase in cost, but I would say not a dramatic increase. Most people that I know of that have irrigation are very happy to have it.

Senator **Breaux**. Not a 35 percent increase in cost.

Mr. **Myers**. Right.

Senator **Breaux**. Now, the reverse side of the coin, which I think you were addressing just a second ago. Is it possible, just as a legal possibility, to have a farmer who has his 35 percent loss trigger his eligibility for disaster assistance end up with a situation where, because of substantially higher prices on the remaining 65 percent that he is able to harvest and sell, his bottom-line amount of income, combined with his price for, say, his soybeans, which are much higher, plus his disaster payments on the 35 percent that he lost, ended up under the program higher than it did without the program?

Mr. MYERS. It is possible because each crop is going to be treated separately. Say he is a cotton farmer and his crop is 50 percent. He would get some disaster payments.

Senator BREAUX. On 50 percent.

Mr. MYERS. Yes. And, if he was a bean farmer and got late rains and had a good bean crop and was smart enough to contract his beans early, yes. Totally, he could——

Senator BREAUX. But couldn't he do it even on an individual crop? Say your soybean prices—I mean, I am not criticizing anybody participating in the program. I am a strong, strong advocate of what we are doing here. I am just concerned. I want to be able to answer someone who may be opposed to this who would argue that a farmer, say a soybean farmer, because of the increased price in soybeans—which I hope stays there—is able to sell them for a substantially higher price than he did last year. But because he suffered a 35 percent loss, he gets payments on the 35 percent, sells the 65 percent for a substantial increase, and as a result ends up better off economically with one crop than he would have had there not been a disaster.

Mr. MYERS. It is possible. He would have to be a very smart marketer.

Senator BREAUX. Sure.

Mr. MYERS. If he had the courage to contract when beans were high or, conjecturally, if they go higher, he could do it. I think that both the staffs over the weekend did a lot of calculation, and I was not in on it, but that is why they arrived at this 65 percent. This is their best calculation over a range of crops, over a range of possibilities. And it was our staff and both—well, I guess there was some House staff, too, wasn't there, Chuck, here? So that is what they are trying to do, is preclude somebody making a profit on all this. So there is no way of guaranteeing that it wouldn't happen to an individual. But I would say on balance it should not happen.

Senator BREAUX. I have a great deal of sympathy with the questions that I think Senator Conrad was asking, trying to pursue the cost of the program. Basically, it is open ended in the sense you have a formula that says if you meet these numbers you are eligible, and no matter what the outer end is the money under this legislation is authorized to be paid. There is not a ceiling of any type.

Mr. MYERS. That is true. And we don't know what this particular liberalization of the feed assistance will cost.

Senator BREAUX. That is right.

Any questions, Senator?

Senator CONRAD. Thank you, Mr. Chairman, I do. First of all, I would like to ask, Mr. Chairman, that I be allowed to enter into the record at this point a statement by the National Association of Counties and their reaction to the need for drought assistance. If I may be able to do that.

Senator BREAUX. Without objection, it will be made a part of the record.

[The prepared statement of the National Association of Counties can be found on page 56.]

Senator CONRAD. In addition, Mr. Chairman, I would like to enter into the record at this point an analysis of the level of participation in the Federal Crop Insurance Program nationally by commodity, and also in terms of certain key States. I would like to enter that into the record at this point.

Senator **Breaux**. Without objection.

[The prepared statement of the National Association of Counties and the Federal Crop Insurance Program analysis follow:]

NATIONAL
ASSOCIATION
of
COUNTIES

440 First St. NW, Washington, DC 20001
202/393-6226

STATEMENT OF

KAYE BRAATEN

COUNTY COMMISSIONER, RICHLAND COUNTY, NORTH DAKOTA

AND

CHAIR, NACo INTERGOVERNMENTAL RELATIONS
STEERING COMMITTEE

ON BEHALF OF

THE NATIONAL ASSOCIATION OF COUNTIES (NACo)

BEFORE THE

SENATE COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY

ON

EMERGENCY DROUGHT LEGISLATION

July 12, 1988
Washington, DC

THANK YOU MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE FOR THE OPPORTUNITY TO SUBMIT A STATEMENT ON BEHALF OF THE NATIONAL ASSOCIATION OF COUNTIES (NACo)* ON THE IMPACT OF THE DROUGHT ON RURAL COUNTIES. MY NAME IS KAYE BRAATEN AND I SERVE AS A COUNTY COMMISSION IN RICHLAND COUNTY, NORTH DAKOTA. I ALSO AM PRIVILEGED TO SERVE AS THE CHAIR OF NACo'S INTERGOVERNMENTAL RELATIONS STEERING COMMITTEE.

I WOULD LIKE TO CONGRATULATE YOU, MR. CHAIRMAN, AND THE MEMBERS OF THIS COMMITTEE ON HOLDING THIS HEARING TODAY AND YOUR RECOGNITION OF THE NEED TO MOVE QUICKLY ON LEGISLATION. WE ARE GRATIFIED BY YOUR STATEMENT ABOUT WORKING CLOSELY WITH THE CHAIRMAN OF THE HOUSE AGRICULTURE COMMITTEE AND THE ADMINISTRATION IN TRYING TO GET A BILL ON THE PRESIDENT'S DESK BY THE END OF JULY. IT IS CRITICAL THAT FARMERS, RANCHERS AND MAIN STREET BUSINESSES KNOW AS SOON AS POSSIBLE THAT THEY WILL NOT BE WIPED OUT AND THAT EXPECTED FARM INCOME WILL BE MAINTAINED.

WHILE YOUR IMMEDIATE CONCERN IS HELPING THE FARMERS DIRECTLY AFFECTED BY THE DROUGHT, WE BELIEVE YOU ALSO SHOULD BE

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* THE NATIONAL ASSOCIATION OF COUNTIES IS THE ONLY NATIONAL ORGANIZATION REPRESENTING COUNTY GOVERNMENT IN THE UNITED STATES. THROUGH ITS MEMBERSHIP, URBAN, SUBURBAN AND RURAL COUNTIES JOIN TOGETHER TO BUILD EFFECTIVE, RESPONSIVE COUNTY GOVERNMENT. THE GOALS OF THE ORGANIZATION ARE TO: IMPROVE COUNTY GOVERNMENT, SERVE AS THE NATIONAL SPOKESMAN FOR COUNTY GOVERNMENT; ACT AS A LIAISON BETWEEN THE NATION'S COUNTIES AND OTHER LEVELS OF GOVERNMENT; ACHIEVE PUBLIC UNDERSTANDING OF THE ROLE OF COUNTIES IN THE FEDERAL SYSTEM.

AWARE OF THE IMPACT THIS CRISIS HAS ON STATE AND COUNTY GOVERNMENT. IT'S AN AMERICAN SAYING THAT WHEN TIMES GET TOUGH, IT IS TIME TO TIGHTEN THE BELT. WELL, MANY RURAL AMERICAN COUNTIES HAVE ALREADY TIGHTENED THE BUDGET BELTS TO THE LAST NOTCH. THE NEXT STEP WOULD HAVE TO BE ABANDONING THE BELT AND TURNING TO A FRAYED ROPE AS A MAKESHIFT. THAT MAKESHIFT WON'T BE ABLE TO HANDLE MUCH STRESS.

TO CONTINUE THIS ANALOGY, THERE ARE URBAN COUNTIES WHERE IT SEEMS THE CUSTOM DESIGNED ALL LEATHER BUDGET BELT KEEPS EXPANDING. IT DOESN'T SEEM TO EVER NEED TIGHTENING BECAUSE THE ECONOMY THERE IS BOOMING. WE RECOGNIZE THE BENEFITS THE ENTIRE NATION ACHIEVES BECAUSE OF THE STRONG ECONOMY IN THOSE COUNTIES. WE ALSO RECOGNIZE THAT THE ENTIRE NATION WOULD BENEFIT IF THE ECONOMIES IMPROVED IN THOSE RURAL COUNTIES, WHERE THE ECONOMY IS SLUGGISH.

HOWEVER, A NATION IS ONLY AS STRONG AS ALL ITS MEMBER STATES AND THOSE STATES ARE ONLY AS STRONG AS THEIR COUNTIES. EVENTUALLY THE DISPARITY IN THE ECONOMY MUST BECOME AN EVEN GREATER DISPARITY IN SERVICES TO CITIZENS. THE QUALITY OF LIFE, INCLUDING EDUCATION, HEALTH CARE, AND OTHER BASIC, WILL DECLINE IN THOSE COUNTIES STRUGGLING BECAUSE OF RELIANCE ON AN ECONOMY THAT LACKS DIVERSITY. THE NATION AS A WHOLE MUST CONSIDER ITS RESPONSE TO THE NEEDS OF ITS RURAL STATES.

THE CURRENT DROUGHT LOOMS AS A DISASTER FOR STATES LIKE NORTH DAKOTA, MY HOME STATE. THIS IS NOT A LOCAL DROUGHT, HOWEVER. OVER HALF THE COUNTIES IN THIS NATION ARE IMPACTED BY THIS DROUGHT. IT IS EVIDENT SOME WAY MUST BE FOUND TO REPLACE LOST REVENUE OR THE ENTIRE INFRASTRUCTURE OF SOME STATES WILL BE SERIOUSLY WEAKENED. THAT WOULD THEN WEAKEN THE NATIONAL INFRASTRUCTURE.

THE DROUGHT BY ITSELF IS A MAJOR CRISIS BUT WE MUST RECOGNIZE THAT RURAL COUNTIES WITH A PRIMARILY BASED AGRICULTURE SUFFERED SEVERE ECONOMIC STRESS DURING THIS DECADE DUE TO FORCES FAR BEYOND THE COUNTY BORDERS. THE GLOBAL ECONOMY IMPACTED EXPORTS OF AGRICULTURAL COMMODITIES. HIGH INTEREST RATES FORCED MANY FARMERS TO ABANDON FARMING AS A CAREER. FEDERAL DOLLARS COMING TO COUNTIES DIMINISHED WHILE MANDATED COUNTY SERVICES INCREASED. THE CURRENT DROUGHT HITS AREAS OF THIS NATION JUST NOW BEGINNING AN ECONOMIC RECOVERY, A RECOVERY LONG UNDERWAY IN OTHER PARTS OF THE NATION. WHILE THE EAST AND WEST COASTS ARE EXPERIENCING ECONOMIC GROWTH, ALMOST ALL OF THIS NATION'S AGRICULTURAL BASED COUNTY ECONOMIES ARE FACING A DROUGHT CAUSE ECONOMIC CRISIS. FOR SOME IT WILL BE MORE THAN A CRISIS, IT WILL BE A CALAMITY UNLESS SOME WAY IS FOUND TO RESTORE LOST INCOME.

IN MAY, 1986 SEVERAL UNIVERSITY OF MINNESOTA BASED RESEARCHERS COMPLETED A REPORT AT THE REQUEST OF THE SENATE

SUBCOMMITTEE ON INTERGOVERNMENTAL RELATIONS. THAT REPORT WAS ENTITLED: "GOVERNING THE HEARTLANDS."

THE REPORT POINTED OUT THAT AN IMPORTANT DIMENSION OF THE FARM CRISIS OF THE 80S WAS THE GROWING THREAT TO THE FINANCIAL VIABILITY OF RURAL LOCAL GOVERNMENTS. PRIMARY DATA WAS GATHERED FROM LOCAL GOVERNMENTS IN RURAL MULTI-COUNTY REGIONS IN THE EIGHT STATES OF ARKANSAS, IOWA, KANSAS, MINNESOTA, MISSOURI, MONTANA, NEBRASKA AND NORTH DAKOTA, STATES PARTICULARLY HARD HIT BY THAT FARM CRISIS. ABUNDANT DATA EXISTS IN USDA REPORTS TO PROVE THAT STATEMENT. I WANT TO POINT OUT THE DROUGHT IS HITTING THOSE SAME STATES. AS OF EARLY JULY, EVERY COUNTY IN NORTH DAKOTA IS ELIGIBLE FOR DROUGHT RELATED ASSISTANCE AND ALL BUT TWO IN MINNESOTA.

THE REPORT RECOMMENDED A PROGRAM OF HIGHLY TARGETED FISCAL ASSISTANCE FOR POORER COUNTIES AND CITIES THAT ARE MOST IN NEED. LEGISLATION WAS INTRODUCED IN THE 99TH AND 100TH CONGRESS TO AUTHORIZE SUCH A PROGRAM. A NUMBER OF MEMBERS OF THIS COMMITTEE JOINED IN SPONSORING S.1840 LAST NOVEMBER. WE BELIEVE THAT THE NEED FOR THIS LEGISLATION IS NOW GREATER THAN EVER AND SHOULD BE CONSIDERED AS THE MOST EFFECTIVE WAY TO HELP RURAL COUNTIES HIT BY THE DROUGHT CRISIS.

I WOULD LIKE TO POINT OUT THAT MY STATE, NORTH DAKOTA, CITED AS THE MOST DROUGHT STRICKEN STATE IN THE NATION, HAS 74 PERCENT OF ITS COUNTIES WHICH ARE DEPENDENT PRIMARILY ON AGRICULTURE TO GENERATE REVENUE. NORTH DAKOTA IS THE MOST AG-DEPENDENT STATE NATIONALLY. THE OTHER FIVE MOST DEPENDENT STATES ARE SOUTH DAKOTA, NEBRASKA, MINNESOTA, IOWA AND MONTANA.

IN NORTH DAKOTA, 43 PERCENT OF THE STATE'S ECONOMY RELIES ON DIRECT AGRICULTURAL DOLLARS. ON FRIDAY, JULY 1, ARLEN LEHOLM, EXTENSION ECONOMIST AT NORTH DAKOTA STATE UNIVERSITY, ESTIMATED STATEWIDE AVERAGE YIELD REDUCTION ESTIMATES OF 59 PERCENT FOR WHEAT AND 70 PERCENT FOR DURUM WHEAT, THE WHEAT USED IN MAKING PASTA. SIMILAR LOSSES WERE FORECAST FOR OTHER SMALL GRAINS. NORTH DAKOTA USUALLY RANKS NUMBER TWO FOR WHEAT PRODUCTION, OTHER THAN DURUM, WHERE IT CLAIMS THE TOP SPOT. SPRING WHEAT AND OTHER SMALL GRAINS PROVIDE APPROXIMATELY 32 PERCENT OF THE TOTAL STATE CASH RECEIPTS IN AGRICULTURAL PRODUCTION. THE IMPACT OF THIS DROUGHT ON RURAL COUNTY INCOME CANNOT BE OVERSTATED.

TIMELY RAINS TO BOOST STRUGGLING ROW CROP PRODUCTION COULD EASE THE DISASTROUS LOSS OF INCOME FOR STATES LIKE NORTH DAKOTA. HOWEVER, THOSE RAINS WERE SPOTTY AND THE TEMPERATURES CONTINUED TO SOAR DURING JULY. AN NDSU AGRONOMIST ESTIMATED A TEN PERCENT REDUCTION IN ROW CROP YIELD EACH DAY THE TEMPERATURES CONTINUED TO CLIMB TOWARD THE 100 DEGREE READING.

UNLESS DEFICIENCY PAYMENTS ARE AUTHORIZED OR SOME OTHER METHOD FOUND, TO RESTORE PROJECTED LOST INCOME, NORTH DAKOTA FACES A $3 BILLION HIT TO THE ECONOMY. MAIN STREET MERCHANTS WILL SHARE IN THAT LOSS WHEN CASH REGISTERS RECORD A PROJECTED $2 MILLION LOSS IN SALES.

FOR STATES LIKE NORTH DAKOTA, WHICH DEPEND ON SALES AND USE TAXES AS A MAJOR REVENUE SOURCE, THE SILENCE OF THOSE MAIN STREET CASH REGISTERS COULD SIGNAL THE ONSET OF MAJOR CHANGES IN STATE AND LOCAL GOVERNMENT BUDGETS. NORTH DAKOTA COUNTIES RECEIVE ONE HALF OF ONE CENT COLLECTED IN SALES TAX, WHILE $11 MILLION WAS ALLOCATED IN THE LAST BIENNIUM, IF THAT SALES TAX REVENUE DECLINES, DUE TO THE DROUGHT, THE STATE WILL BE FORCED TO RETHINK THAT ALLOCATION.

THE ISSUES FACING THE COUNTIES IN NORTH DAKOTA ARE MIRRORED IN MANY RURAL COUNTIES AROUND THE COUNTRY. IN MARCH 1988, THE DEPARTMENT OF AGRICULTURE ECONOMICS AS NDSU RELEASED A REPORT ENTITLED CHANGES IN SELECTED COUNTY, CITY AND TRADE AREA CHARACTERISTICS BETWEEN 1980 AND 1986. THAT REPORT FOUND THAT TRADE PATTERN SHIFTS ARE THREATENING THE VIABILITY OF SOME SMALLER COMMUNITIES. ONLY THE SEVEN MAJOR TRADING CENTERS IN THE STATE GAINED IN SALES. A SUBSTANTIAL NUMBER OF THOSE COMMUNITIES LOSING NEEDED DOLLARS ON MAIN STREET ARE COUNTY SEATS. AN EVEN GREATER NUMBER HAVE A POPULATION WITH A GREATER PER CAPITA

ELDERLY WIDOWED GROUP THAN THE NATIONAL AVERAGE. THIS BRINGS WITH IT INCREASED NEEDS PER CAPITA FOR VARIOUS COUNTY FUNDED SERVICES.

DURING THE FARM CRISIS YEARS IN DECADE, IT WAS SAID THAT A RESTRUCTURING OF AGRICULTURE WAS UNDERWAY. WHAT WAS NOT SAID OFTEN ENOUGH OR LOUD ENOUGH WAS THAT A RESTRUCTURING OF RURAL AMERICA WAS UNDERWAY. A DECLINING POPULATION MEANS A HIGHER AND HIGHER COST OF DELIVERING EVEN BASIC SERVICES TO THE PUBLIC. THAT REALITY IS THERE IN RURAL AMERICA AS COUNTIES, SMALL CITIES AND SCHOOL DISTRICTS WORK ON BUDGETS. THE INCOME DECLINES. THE PUBLIC SERVICES DO NOT. IT IS LIKELY THAT COUNTIES, SCHOOLS, ETC. WILL HAVE TO CONSIDER FURTHER CONSOLIDATION OF SERVICES. THE YELLOW SCHOOL BUS WILL TRAVEL MORE AND MORE MILES TO COLLECT FEWER AND FEWER STUDENTS.

PAINFUL DECISIONS FACE ALL OF US IN PUBLIC SERVICE IN RURAL AMERICA. UNLESS SOME WAY IS FOUND TO RESTORE THE LOST AGRICULTURAL INCOME TO STATES LIKE NORTH DAKOTA THIS DROUGHT YEAR, WE MAY BE FORCED TO MAKE HASTY DECISIONS ON SENSITIVE CONSOLIDATION ISSUES. RESTORED DEFICIENCY PAYMENTS WILL HELP US BUY TIME TO CONSIDER THESE TOUGH DECISIONS IN AN ORDERLY MANNER. THIS JUNE, FOR INSTANCE, VOTERS IN MY COUNTY APPROVED A NEW LONG RANGE ROAD AND BRIDGE PLAN, WHICH INCLUDED A MILL LEVY INCREASE. THAT PLAN TOOK TWO YEARS TO DEVELOP. A COUNTY-WIDE STEERING

COMMITTEE HELPED CREATE THE PROPOSAL AND THEN ITS MEMBERS ASSISTED THE COUNTY COMMISSION IN EXPLAINING HARSH REALITIES TO THE PUBLIC. PART OF THAT MESSAGE WAS THAT SOME ROADS THAT WERE ON A SCHEDULE TO BE BLACKTOPPED FOR OVER 20 YEARS WOULD NEVER BE BLACKTOPPED. THE PUBLIC CO-OPERATED IN MAKING THIS DIFFICULT DECISION BUT AMPLE TIME WAS AVAILABLE TO PROCEED IN AN ORDERLY, LOGICAL MANNER.

TIME IS A PRECIOUS COMMODITY THAT CAN INDEED BE BOUGHT IN A SENSE. VERY SOON, CONGRESS WILL START WORK ON A NEW FARM BILL. TOO OFTEN THE FOCUS APPEARS TO BE TOO NARROW. THE NEEDS OF CONSUMERS AND FARMERS AS WELL AS CONCERNS ABOUT THE NATIONAL BUDGET ARE ALL VOICED ELOQUENTLY. WHAT IS TOO OFTEN MISSING IS ANY CONSIDERATION OF THE STRONG CONNECTION BETWEEN THE AGRICULTURAL ECONOMY AND RURAL COUNTY GOVERNMENTS. THIS DROUGHT, WHILE CATASTROPHIC, MAY PROVIDE THE OPPORTUNITY OF DEMONSTRATING THAT VERY REAL CONNECTION.

IN CONCLUSION, MR. CHAIRMAN, WE APPLAUD YOUR EFFORTS TO MOVE EXPEDITIOUSLY ON DROUGHT LEGISLATION. ON BEHALF OF THE NATIONAL ASSOCIATION OF COUNTIES, WE PLEDGE OUR STRONG SUPPORT FOR THIS LEGISLATION AND WILL WORK TO ENSURE ITS PASSAGE.

SENATOR KENT CONRAD

FEDERAL CROP INSURANCE COVERAGE NATIONALLY AND SELECTED STATES

The following are the percentages of crops insured Nationwide at all levels for 1987:

All crops: 21.9%

Wheat: 27.1%

Corn: 18.2%

Soybeans: 19.4%

Vegetables: 27.3%

Fruits: 23.1%

These are total crops insured in some drought States:

Alabama: 18.6%

Arkansas: 14.2%

California: 2.6%

Colorado: 18.8%

Georgia: 18.4%

Illinois: 10.3%

Indiana: 9.6%

Iowa: 25.6%

Kansas: 16.6%

Kentucky: 7.6%

Louisiana: 25.6%

Michigan: 3.5%

Minnesota: 26.0%

Mississippi 18.9%

Missouri: 17.1%

Montana: 63.1%

Nebraska: 26.1%

N. Carolina: 10.3%

North Dakota: 41.4%

Ohio: 5.9%

Oklahoma: 10.2%

South Dakota: 13.5%

Wisconsin: 3.3%

Source: Federal Crop Insurance Corporation. 1988 levels of coverage are expected to be the same or slightly higher.

Senator CONRAD. Now, Mr. Chairman, I would like to, if we could, go back to the question of cost and of savings because I think it is, obviously, an important point.

We have been provided staff analysis that indicates a cost of $5.5 billion on the crop side of the ledger. That is, the cost of this legislation before us is $5.5 billion. In addition, there would be the livestock part of this bill.

Do you have any rough estimate of the cost of the livestock provisions?

Mr. MYERS. No, I don't think we do. We do not.

Senator CONRAD. It has been estimated that at the outer limits of that would be $1 billion. Does that sound like it is in the ballpark to you? Does it sound as though it is totally out of the question?

Mr. MYERS. I don't have any idea. I have great fears about the cost of this particular provision depending on where you come down and who you exclude and what kind of livestock operations you include.

Senator CONRAD. Based on what is before us, the outside estimate, that is the highest estimate, of the cost that has been suggested is $1 billion. Again, I think it is critically important that we have some rough notions from you all, as soon as you can make such estimates, to guide our deliberations. I respect completely the need to make ranges, and maybe very large ranges, but it is going to be awfully hard to make decisions here if we don't have any estimates.

Mr. MYERS. We can give you a ballpark figure and a range on the livestock.

Senator CONRAD. Right.

Mr. MYERS. Because I want for my own interest to find out what we are talking about.

Senator CONRAD. Yes. OK.

Now let's go to the other side of the ledger, and that is, potential savings. We were given an estimate the other day, again a ballpark estimate, that there could be savings of $8 billion with $1 billion of cost to the Federal Crop Insurance Program that would have to be absorbed out of these accounts.

Mr. MYERS. I have seen from $½ billion to $2.8 billion on Federal Crop.

Senator CONRAD. On Federal Crop you have seen that?

Mr. MYERS. Yes, in additional outlays beyond the baseline. And those are some of the figures that our people have, so we are still varying on Federal Crop losses.

Senator CONRAD. OK. Well, that kind of information is very helpful. It puts things in some perspective as to what we are dealing with, and again that is a very big range but at least it gives some perspective on the question.

Now what we were given the other day again, not by your Department—I want to make that clear—it was a rough staff estimate of $1 billion. Again, if we could get any kind of further fix on that.

I would think the numbers that come out today which would give us some notion of crop loss coupled with an estimate on price, would provide us with an existing estimate on prices. I would assume that today's numbers will drive a new projection on price.

Mr. Goldberg. Senator, you keep dwelling on it, and I share with you the concern for the budget and where the trade-offs are going to be. But I think the chairman pointed out about as well as anybody has, it is an open-ended piece of legislation. The administration feels that on the basis of what we now know, which is not all that much, there will be sufficient funds available to finance the bill.

Now, to tell you after we know what happened today, and I haven't heard, we will know more than we did 2 hours ago, but we will still be an awful long way from making some determination as to what the actual losses are, and thereby telling you what these costs are actually going to be on a commodity-by-commodity basis.

Senator Conrad. I appreciate that.

Mr. Goldberg. Even after we get more information, we still——

Senator Conrad. We are not dealing in certainty and I understand that. But I am also of the conviction that we could have estimates that would give us some rule of thumb for proposed adjustments. In other words, there are going to be people making suggestions on this bill, me included, for some adjustments.

Mr. Goldberg. It will cost more money.

Senator Conrad. I suspect there will be some additional costs, yes.

Mr. Goldberg. Well, you see that is the problem, Senator. You want to tie somebody to some number so that you can say, well, if the savings are up here and the costs are down here, somewhere in here is where we can add a few more things to the bill, and nobody is going to be able to tell you right now what that spread is.

Senator Conrad. Let me ask you this. Has the administration made a decision that, as a basic principle, savings that accrue to the program as a result of drought ought to go for drought relief? That is, is there a determination in the administration that the drought not be a windfall to the Federal Government?

Mr. Myers. Not having seen those figures at the end of June, I can't tell you that. But we feel that the savings will cover the cost of the proposed legislation, and that is basically all we can say comfortably at this point.

Senator Conrad. Well, I am asking a little different question.

Mr. Myers. I know what you are saying.

Senator Conrad. The question I am asking is——

Mr. Goldberg. I think, Senator, the answer to your question is the position of the administration as well as the bipartisan, bicameral committee is that we have a problem out there. The reason for helping them is not because there may or may not be some savings in the program. The reason is because you want to help farmers.

Senator Conrad. Nobody is making the suggestion that the reason you want to provide relief is because there are savings. The question is, if there are savings of x amount, do you provide at least x amount in drought relief, that same amount? It would not necessarily be limited to that amount, but, in other words, if the savings are $7 billion, are we attempting to provide at least that amount in drought relief?

Mr. MYERS. Not necessarily. We are saying that we agree what is in this package will give that producer out there assurance that if he has a 35 percent loss he will be covered.

Senator BREAUX. Would the Senator yield on that? The other side of that is that it also indicates that if it takes more than your savings you are still supporting it, even if it is more than the savings.

Mr. MYERS. That is right.

Mr. GOLDBERG. That is right. I think that was my point, Mr. Chairman. You know that the two are related, but they are not related. Well, it doesn't mean if you save $12 billion that you should spend $12 billion someplace else. What it does mean is that structurally you have a disaster bill that most people support and nobody knows precisely what the cost is. It would appear now that the expected savings would cover the cost of that particular bill. Now what that cost is, nobody knows.

Senator CONRAD. For you to make that statement, Dick, you must have some rough analysis of cost and savings. When you sat down with OMB you must have had a back-of-the-envelope projection on what this bill costs.

Mr. MYERS. We haven't costed out this legislation with OMB at this point. We have basic principles with them, and they are agreeing with the Secretary's decision to support this. But we have not costed out this legislation because we just saw the final legislation. Granted we worked with the staff over the weekend, but we didn't see the final results until this hearing started. So we have not costed it out, and I cannot make a commitment that we will spend every penny saved for the bill. But on the other hand, we have already committed that we will concur with funding that is in this legislation. We will support it.

Senator CONRAD. Well, let me just ask the larger question. Can you see any circumstances under which you would refuse to support drought relief to the extent of the savings? In other words, if we had a scenario develop in which we had $7 billion of savings and the cost of the package was $6 billion, and we had $1 billion, would you be supportive of using that for drought relief?

Mr. MYERS. My experience has been that we had better leave a cushion in it and not agree to spend everything that we think we have saved up front. Because as we get into these things we find that we add and we add, as we did in 1986. We found we had nonprogram crops that we didn't cover, and we had swept away hay that we didn't cover, and so on.

Senator CONRAD. You mean that other things were added sequentially?

Mr. MYERS. That is right.

The CHAIRMAN. You don't think we will pick up something more as this legislation winds its way through the Hill?

Mr. MYERS. I think there will always be things that will pop up.

Mr. GOLDBERG. The bill in 1986 had a cap on it. That was an appropriated amount of money, and that was the reason for some supplemental activity.

Mr. MYERS. I think we ought to be very careful about saying that we will spend in this package everything that we think we will save. Because, as I say, I think we will find more cost as we go along.

Senator CONRAD. All right. I have no further questions.

Senator BREAUX. I will recognize the Chairman.

The CHAIRMAN. Thank you.

Let me just lay out the schedule, because we'll want people from the Department here for this during the markup.

I'll bring the committee back in—I have discussed this with Senator Lugar—I'll bring the committee back in at 9:30 tomorrow morning. We'll meet from 9:30 to 11:30, and then come back in again at 2:30 and we'll meet so long as it is productive.

Now, I would ask the joint staffs to meet here at 5 this afternoon. The Senators will be meeting informally off the floor. We're going to be here for a while tonight, as we have votes.

I would urge all Senators—and if the word would go back from staff to all Senators—that if they do have amendments or changes to make, to try to get them in to us this afternoon. I realize you may not have them fully drafted, but at least the general thrust of what you want.

My suggestion would be that we start tomorrow at 9:30, using the bill introduced today as the markup vehicle, and start bringing up any amendments that are already here first. Again, of course, no Senator is going to be precluded from bringing up an amendment at any time, but at least we'll start with those that we have first.

I will—I was almost going to say I'd be available to hear confessions until late this evening—a number of Senators have made suggestions of things they want to discuss with me, and I'll be here until midnight, if necessary, for that.

Senator CONRAD. Could I get an appointment at about 11, then, Mr. Chairman?

The CHAIRMAN. You certainly can. In fact, you'd probably be better off——

Senator CONRAD. 11:15.

The CHAIRMAN. It will probably be quieter around then.

But if the Department could have somebody over here, too, at that time, at 9:30 tomorrow morning, and we will stand in recess until then.

Thank you.

[Whereupon, at 3:30 p.m., the committee adjourned, subject to the call of the Chair.]

[Material submitted for the record follows:]

NATIONAL
FARMERS
UNION

July 12, 1988

Honorable Patrick J. Leahy
Chairman,
Senate Committee on Agriculture,
Nutrition and Forestry
332 Russell Senate Office Building
Washington, D.C. 20510

Dear Chairman Leahy:

Enclosed is the position of the National Farmers Union on the Drought Task Force's relief proposal. While we deeply regret not having the opportunity for face-to-face discussion with the Committee at today's hearing, we do appreciate this chance to provide written comments. I pledge the support of the National Farmers Union in continuing the productive dialogue that has gone on throughout the last few months.

I would like to commend the efforts of those who served on the Task Force and others who have spent many hours working with farmers, visiting affected areas, and meeting with representatives of USDA. Many Members of Congress have played an important role in bringing this issue to the forefront of public concern and in suggesting legislation. The proposal before the Committee today appears to be the combined result of these efforts.

Our organization believes that enactment of the Task Force proposal would be a major step forward in relieving the effects of the drought on American agriculture. The package is in line with the criteria laid down by our board of directors at our recent meeting: it is timely, targeted, and fair. The six areas in which we believe the proposal can be strengthened are outlined on page 3 of our statement. With those improvements, we would strongly endorse the package as welcome relief for farmers and rural citizens.

If I or my staff can be of service to you, please contact us.

Sincerely,

Leland H. Swenson

Leland H. Swenson,
President

LHS:clc

cc: Members of the Senate Committee on Agriculture,
Nutrition and Forestry

600 Maryland Avenue, S.W. • Suite 202 • Washington, D.C. 20024 • Phone (202) 554-1600

POSITION
OF THE
NATIONAL FARMERS UNION
REGARDING
DROUGHT RELIEF PROVISIONS SUGGESTED BY THE DROUGHT TASK FORCE

JULY 12, 1988

The 1988 drought has all of the potential of being the most severe economic problem rural America has ever faced. Already, almost two-thirds of the nation's 3,041 counties have been designated for one or more of the disaster assistance programs. Unless there is early relief in the form of significant rain, the damage could even exceed the devastation of the 1934 drought when one-third of the crop output was lost. The timely response to these problems by the Federal government is needed to cope with the mental, as well as economic, difficulties facing farmers and their communities.

National Farmers Union recently had all state presidents of our organization in Washington for a board meeting. During this board meeting, the drought was the dominant topic of discussion. There were drought-related problems in at least a portion of each of the twenty-three states represented by the National Farmers Union. In preparation for this board meeting, a list of various options available to deal with the drought was prepared and is attached in this statement. Some of the programs in the attachment are already being implemented, but many more of them will be needed before rural America is back on its feet.

The board indicated that any assistance must be timely, targeted, and fair. The National Farmers Union position paper stressed that drought assistance must be timely so that farmers and ranchers obtain help before it is too late. Assistance must be targeted to those farmers and ranchers who truly need help. It must be fairly administered so that participants of the various crop and insurance programs are not penalized as a result of their participation.

We would like to direct your attention to the four top priority items targeted by the board:

1. ASSISTANCE FOR GRAIN PRODUCERS

A. NEW LEGISLATION FOR A 0/92 OPTION FOR FARMERS WHOSE CROPS HAVE FAILED.
   1. WITHOUT REPAYMENT OF ADVANCE DEFICIENCY PAYMENTS

2. WITHOUT HARVESTING ANY CROP ON FAILED ACREAGE, AND
3. WITH NECESSARY CONSERVATION MEASURES TO CONTROL SOIL EROSION.

2. ASSISTANCE FOR LIVESTOCK OPERATORS

A. USE OF EXISTING AUTHORITY FOR AN EMERGENCY FEED PROGRAM TO ALLOW USDA COST-SHARING FOR LIVESTOCK FARMERS.
  1. BASED ON PROVEN NEED.
  2. PROMPT USE OF EXISTING AUTHORITY TO ALLOW HAYING AND GRAZING ON CRP ACREAGE.

B. NEW LEGISLATION TO ALLOW FARMERS WITH GRAIN UNDER CCC LOAN TO PURCHASE THE GRAIN AT 75% OF THE LOAN RATE IF IT WILL BE USED AS LIVESTOCK FEED TO MAINTAIN THEIR OWN HERDS (NOT MERELY FOUNDATION HERDS).
  1. HAYING & GRAZING IN NON-DROUGHT COUNTIES FOR PRODUCERS IN DROUGHT COUNTIES.
    a. DESIGNATION TO USE FORAGE LOCATED IN NON-DROUGHT COUNTIES TO ASSIST PRODUCERS IN DROUGHT COUNTIES.
      1) THROUGH THE OFFICE OF TRANSPORTATION AT USDA, ESTABLISH TRANSPORTATION OF FEED AND/OR LIVESTOCK TO MATCH SUPPLY AND NEED.

3. DAIRY PRICE SUPPORT INCREASE

A. A 10% INCREASE IN DAIRY PRICE SUPPORTS IS NEEDED TO OFFSET THE ADDITIONAL FEED COSTS ASSOCIATED WITH THE DROUGHT.

4. ECONOMIC LOAN PROGRAMS

A. DISASTER AND EMERGENCY LOAN PROGRAMS NEED TO BE LONG-TERM.

B. LOANS SHOULD BE TARGETED AND CAPPED BASED UPON NEED.

STRENGTHENING RECOMMENDATIONS AND ANALYSIS OF TASK FORCE PROPOSAL

We believe that the drought task force's proposal makes a strong start in the right direction. The proposal would provide timely, targeted, fairly administered relief in all major commodity areas. The forgiveness of advance deficiency payments is a timely and welcome boost for wheat and feed grain producers. Limiting total disaster payments to $100,000 will target federal assistance to those producers who need it most. And, the task force has demonstated its commitment not to penalize those producers who, as a matter of sound business judgement, sought to protect themselves through the purchase of crop insurance.

There are many similarities between the task force's proposal and the recommendations of the National Farmers Union. The task force has suggested a broad range of relief measures, all of which would be quite helpful. With several improvements, many of which are contained in Senator Melcher's proposal, National Farmers Union would stand ready to wholeheartedly endorse the package. We would suggest the following improvements:

1. Dairy

A. A 10% increase in the support price in addition to the task force's recommendations. Production is declining, commodity programs have already seen cuts in dairy products, and many more dairy farmers will go out of business -- threatening consumer supplies and driving down beef prices.

B. If A. is not possible, the support price should at least be restored to 1987 levels, i.e. a 50 cent increase.

C. In either event, the price-changing triggers in the 1985 Food Security Act should be revised to reflect actual usage of CCC-owned dairy products. The support price should be increased by 50 cents/cwt. when CCC purchases are expected to be below needs.

2. Effective Dates

A. All livestock provisions in the proposal should become effective upon date of enactment, rather than on September 1, 1988.

3. Crop Insurance

A. Crop insurance payments should not enter into disaster payment calculations at all. We believe that this is the best way to reward a good business decision, and encourage participation in the future.

B. If A. is not possible, then A.S.C.S. should make disaster payments first, thus limiting the risk to be covered by FCIC. We believe that this simple change would have a dramatic effect on crop insurance premiums next year.

C. In either event, disaster payments should be conditioned upon a contract for 3 - 5 years of future participation in the crop insurance program.

4. Loan Moratorium

A. In addition to the credit relief provisions suggested, the Secretary should be required to use his loan moratorium authority under 7 U.S.C. 1981a. This provision allows him to defer FmHA loan payments for one year, when requiring payment would be unreasonably burdensome.

5. Feed Cost Threshold

A. Programs to assist with livestock feeding should be triggered when local costs for comparable feeds reach 150% of the price levels in 1987.

B. These programs should be available to all producers who meet the 150% threshold.

6. Taxation Issues

A. We must recognize the tax implications of disaster payments on those farmers who use cash accounting. We would recommend reinstatement of income averaging to avoid undue hardship.

B. If A. is not possible, farmers should at least have the option of deferring disaster income into 1989.

C. In either event, we must also recognize the tax implications of debt forgiveness and other forms of debt restructuring. Unless something is done in this area, bankruptcy will continue to be a more attractive option for many farmers.

We believe that these changes would help improve the drought relief provisions recommended by the Task Force. With these changes, the National Farmers Union feels that the proposal would meet our objectives of timely, targeted, fair assistance. We hope to work closely with the Committee in developing the final drought relief package. We would like to thank the Committee for the opportunity to make our views known. The help given now to rural America will benefit all American consumers in the form of stable supplies of lower cost foods.

merican
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MOVEMENT
INC
America Needs Parity!

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TESTIMONY OF DAVID SENTER
NATIONAL DIRECTOR
AMERICAN AGRICULTURE MOVEMENT

JULY 11,1988

before the
COMMITTEE ON AGRICULTURE, NUTRITION & FORESTRY
U.S. SENATE

I thank the Committee for the opportunity to appear before you today to offer the perspective of the American Agriculture Movement, Inc. concerning the extent of the damage to agricultural producers caused by the current drought and the appropriate steps which Congress and the U. S. Department of Agriculture should take to respond to this crisis.

First, let me say that we are in agreement with the guiding principles set forth by the Congressional Drought Relief Task Force for dealing with this situation. *Our goals must be to assure a continued adequate supply of food for American consumers, to protect in an equitable manner the incomes of farmers and ranchers and to protect the integrity of rural communities and their economies.*

What is clear to all who have traveled to rural America is that the current drought is both severe and expansive. It is effecting large sections of our agricultural producing areas throughout much of the country, and has the potential to economically devastate hundreds of thousands of farmers and ranchers. Many thousands have already seen much or all of their crops destroyed and many more face a similar fate within weeks if the drought continues.

Members of this Committee are painfully aware of the economic depression which has burdened farmers and rural Americans throughout much of this decade, and from which many farmers are only now beginning to emerge. The Farm Credit Act of 1987, with its provisions encouraging the restructuring of farm debt wherever possible to save hundreds of thousands of family farmers from losing their farms, is itself evidence of the dire economic conditions under which farmers and ranchers have been suffering.

Unless Congress takes dramatic new steps now in response to the drought, many of these same farmers, along with many thousands of others facing the partial or total loss of income from drought damage to crops, will once again be faced with foreclosures and the eminent loss of their farms. And the thousands of small towns and rural communities throughout rural America will see their businesses either move away or be boarded up, as more jobs are lost and more businesses fail. Rural America is facing a real crisis from which we may never fully recover unless Congress acts swiftly and aggressively to protect the income of farmers and ranchers from the impact of this drought.

U.S.D.A. has taken several actions which help, but what they've done is only a start. Much more is needed. Many avenues of federal assistance are available through existing programs that have not yet been implemented, both for meeting immediate material needs and for dealing with the financial stress that is certain to follow in the wake of the drought. Other solutions will require the passage of emergency legislation by Congress.

To date the federal government, through U.S.D.A., has responded primarily by making the Emergency Feed Program, the Emergency Feed Assistance Program and Emergency Haying and Grazing Authority available to drought designated counties. While this has surely helped, it is clearly inadequate. Many financially stressed farmers are unable to avail themselves of reduced cost feed programs, and much of the set-aside and conservation reserve acreage is so damaged by the drought that it is of little use.

Other programs for dealing with this type of disaster rely on emergency loans for the producers. While these are necessary, and should be expedited, many farmers are understandably wary of assuming additional debt, with the recent history of low crop prices. Emergency loans that cannot be serviced once the drought is over only dely the inevitable farm failure for an additional year or two. Therefore Congress must look to a variety of programs both to help our producers survive the immediate crisis and to provide them with a realistic chance to make a living from their farming over the longer term.

SUGGESTED DROUGHT EMERGENCY MEASURES

1. Congress should cancel repayment on advance deficiency payments for drought damaged farmers and guarantee projected deficiency payments for all grogram crops. Farmers who have lost their crop or a substantial portion of their crop, or who have incurred substantial increased costs for irrigation or feed, are not in a position to repay the advance deficiency payments.

2. Congress should restore the 50 cent reduction in milk support prices which took effect on January 1,1988 and eliminate the 50 cent reduction in milk support prices scheduled for January 1,1989. Further lowering income during the drought crisis is totally inappropriate and will exacerbate the situation for dairy farmers.

3. Congress should provide a direct payment to soybean and other non-program crop producers to offset their losses due to the drought. This assistance should be limited to those producers with a proven history of production and should cover those who double crop only if they have a proven history of double cropping. The local ASCS office should make this determination.

4. USDA should reopen the Export Enhancement Program for dairy cattle to reduce the number of cattle being brought to slaughter. This will take some pressure off beef prices, which are already depressed.

5. Payment-In-Kind certificates should be redeemable at the government loan rate by producers in designated drought effected counties and producers with provable drought loss. These certificates can provide many producers with grain to feed livestock or to sell to offset crop losses, and their value should not be allowed to decline as posted prices rise due to the drought.

6. ASCS should allow haying and grazing in non-designated areas by producers from designated areas. This would increase the supply of forrage and help alleviate the overgrazing in drought stricken set-aside acreage.

7. ASCS should release farmland from program restrictions through the Failed Acreage Program. This would permit the use of ruined crops for haying and grazing or allow the land to be replanted in nonprogram crops.

8. ASCS should implement the Disaster Low Yield Program to release yield deficiency payments to producers with proven drought damage, to offset drought losses.

9. The Commodity Credit Corporation should extend the loan period for drought damaged farmers for the remainder of the year. This would allow farmers to benefit from the rising futures market, and to offset drought losses.

10. FmHA should institute a moratorium on foreclosures at least through the end of the year; should defer loan payments for this year from drought damaged farmers, adding an extra year on to the end of the loan; should provide expedited restructuring preference to drought damaged farmers; and should allow haying and grazing on inventoried land.

11. Congress should require the Small Business Administration to defer loan repayments from drought damaged farmers, adding an extra year on to the end of the loan.

12. Congress should provide full funding for the state mediation programs included in the Farm Credit Act of 1987. These programs will be especially crucial in dealing with the aftermath of the drought crisis.

13. The Farm Credit Administration should encourage Production Credit Associations and Federal Land Bank Associations to institute a moratorium on farm foreclosures at least through the end of the year, should encourage expedited restructuring preference to drought damaged farmers, and should allow haying and grazing on inventoried land.

14. Congress should repeal the agricultural diesel fuel tax and provide immediate rebates to farmers damaged by the drought.

CONCLUSION

Farmers and ranchers have been hurt badly during the 1980's as a result of policies that often paid them a price for their commodities lower than their cost of production. Hundreds of thousands have lost their farms, and thousands of others have been forced to find off-farm jobs to live on, while they struggle to survive. With a sound farm policy that provided producers a fair price for their products from the marketplace and a system of supply management that avoided overproduction and included adequate reserves, farmers and ranchers could make a decent living and survive an occasional drought or other natural disaster. Under the current farm program, they can only survive a drought with massive federal emergency assistance.

The current drought situation has demonstrated the importance of maintaining adequate reserves. We need to devise a farm program that reflects the fact that much of what is sometimes considered surplus production is not really surplus. Rather it is a necessary reserve to provide for unexpected emergencies, and producers should be compensated accordingly.

On behalf the American Agriculture Movement, I urge Congress to move quickly to implement the emergency measures earlier discussed to make it possible for farmers to survive the current crisis. And when the farm bill comes up for debate next year, I urge you to consider instituting a program that will make this type of emergency assistance less necessary in future years.

# # #

STATEMENT OF THE

AMERICAN FEED INDUSTRY ASSOCIATION

before the

SENATE COMMITTEE ON AGRICULTURE

on

MATTERS CONCERNING DROUGHT ASSISTANCE FOR FARMERS

July 12, 1988

Chairman Leahy and members of the committee, the American Feed Industry Assn. (AFIA) thanks you for the opportunity to comment on matters related to the current drought. Within the parameters of that discussion, AFIA would like to specifically address the issue of emergency livestock feed assistance.

AFIA is a national trade association representing the manufacturers of more than 70% of the primary formula poultry and livestock feeds sold annually in the U.S. Our membership also includes those companies supplying animal drugs, ingredients, equipment and services to feed manufacturers.

AFIA has a vital interest in federal drought relief efforts, especially emergency feed assistance. AFIA commends the committee for its timely attention to emergency feed issues, and for the work that has and is being done to help American farmers. AFIA would also like to recognize the efforts of Secretary Lyng and the Department of Agriculture in responding to the needs of drought-stricken areas within the scope of current mandates. We hope that our suggestions will be helpful as drought assistance programs are fashioned to address the needs of the current drought.

THE NEED FOR AN HISTORICAL PERSPECTIVE

A properly administered emergency livestock and poultry feed program has in the past been a valuable tool in easing the burden of drought and other natural disasters for the American farmer. It is important to continue that tradition. To insure that an emergency livestock and poultry feeding program is successful, it is essential that we rely on an institutional memory about what works and what does not.

While this course seems most logical, it has not always been followed. The various assistance programs included in farm legislation going back to 1949 have in many cases made it difficult to fashion contemporary relief programs that can provide immediate relief. Some of these problems are outlined in the March, 1987 Government Accounting Office report on Emergency Assistance.

To help avoid confusion and delays, and to benefit from an historical perspective of what does work, AFIA commends to your attention two time-tested programs: The feed dealer/manufacturer option, and the use of generic certificates. AFIA also suggests that a clarification of the term "feed" be made to make USDA administration of feed assistance programs more consistant and even-handed.

FEED MANUFACTURER/DEALER OPTION

The feed manufacturer/dealer option allows the federal government to use the private feed distribution infrastructure already in place in rural America. This not only saves the government time and money, it also maintains an important service network that livestock and poultry owners rely on long after the drought has ended. In addition, this option answers concerns about the federal government going into competition with retail feed dealers during emergency feed programs.

It is essential that Federal programs work to maintain rather than discourage the rural business infrastructure. These businesses suffer in drought-stricken areas as much as farmers, and should be taken into consideration as feed assistance packages are developed.

The feed manufacturer/dealer option is authorized in Section 407 of the Agriculture Act of 1949. It has been used successfully by the Secretary of Agriculture on many occasions as part of drought assistance efforts.

Section 407 gives the Secretary discretion to use feed dealers and companies as the first line of assistance to farmers and ranchers affected by drought, flood and other natural disasters. Farmers who exercise this option, instead of taking direct title to discounted CCC grain, buy a commercial feed at a discount which reflects the CCC emergency program price. Then the commercial feed company takes delivery of the CCC grain at the discounted price at a later date to restock its inventory.

This option is advantageous for both the farmer and the Federal government. For the farmer it provides an immediate, local source of feed, and often saves the livestock owner the time and trouble of mixing CCC grain with supplements. For the government, it saves the transportation cost of shipping CCC stocks to farmers who may be eligible for subsidized transportation.

GENERIC CERTIFICATES

Payment-in-kind (PIK) certificates were used very successfully by USDA as part of the emergency feed program fashioned to deal with the 1986 Southeast drought. Allowing PIK certificates to be used for emergency feed purposes provided necessary flexibility to the farmer in that he was able to use the certificates as currency in dealing with his feed company and local elevator, as well as with other suppliers. He simply sold the certificate to the feed dealer who advanced him the feed based upon the CCC emergency grain price. The feed company was then able to take the grain at a later date by redeeming the certificate against the CCC grain.

Like the feed manufacturer/dealer option, the use of generic certificates saves federal feed transportation subsidies and provides farmers with a fast, convenient feed assistance.

CLARIFICATION OF THE TERM FEED

In addition to providing time-tested tools for emergency feed assistance, it is also important to be sure that programs are administered fairly and effectively. One example of the kind of administrative problems that can develop is the current confusion caused by USDA's inadvertent oversight in the definition of "feed." This confusion recently caused headaches for farmers and feed dealers alike as the emergency livestock feed assistance program was implemented in California.

The problem with the definition relates to supplemental feed. USDA has included liquid supplemental feed in the definition of the term "feed," and rightly so. However, dry supplemental feed was inadvertently left out.

The resulting inconsistency limits the options of farmers and ranchers as they make feed choices under emergency conditions. It also gives liquid feed suppliers an economic advantage over dry supplement feed suppliers in the marketplace.

To resolve this inequity, AFIA suggests that the definition of the term "feed" be expanded to include both liquid and dry supplemental feed. This simple change will clear up the confusion, and put all suppliers of supplemental feed on an equal footing in the marketplace.

CONCLUSION

AFIA stresses the need for timely implementation of a responsible feed assistance effort, one that includes programs known to be successful, efficient, and cost effective, such as the feed dealer/manufacturer option and the use of generic certificates. It is likewise essential that administrative oversights, like the incomplete definition of feed, be addressed early, so as to prevent confusion and hardship for livestock owners and feed companies.

AFIA again thanks the committee for their attention to this pressing problem. We appreciate the opportunity to comment. We stand ready to assist the committee in any way we can to address the feed needs of livestock and poultry owners in drought-stricken areas.

II

100TH CONGRESS
2D SESSION

S. 2631

To provide drought assistance to agricultural producers, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JULY 12 (legislative day, JULY 8), 1988

Mr. LEAHY (for himself, Mr. LUGAR, Mr. MELCHER, Mr. DOLE, Mr. PRYOR, Mr. COCHRAN, Mr. BOREN, Mr. BOSCHWITZ, Mr. HEFLIN, Mr. MCCONNELL, Mr. HARKIN, Mr. BOND, Mr. FOWLER, Mr. WILSON, Mr. DASCHLE, Mr. KARNES, Mr. BREAUX, Mr. DURENBERGER, Mr. RIEGLE, Mr. GRASSLEY, Mr. SIMON, Mr. PRESSLER, Mr. GORE, Mr. KASTEN, Mr. STENNIS, Mr. QUAYLE, Mr. EXON, Mrs. KASSEBAUM, Mr. BENTSEN, Mr. MCCLURE, Mr. DIXON, Mr. DANFORTH, Mr. MOYNIHAN, Mr. HEINZ, Mr. METZENBAUM, Mr. BURDICK, Mr. SASSER, Mr. CONRAD, Mr. KENNEDY, Mr. LEVIN, Mr. SPECTER, Mr. ROCKEFELLER, and Mr. WALLOP) introduced the following bill; which was read twice and referred to the Committee on Agriculture, Nutrition, and Forestry

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A BILL

To provide drought assistance to agricultural producers, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the "Drought Assistance Act of 1988".

(b) TABLE OF CONTENTS.—The table of contents is as follows:

TITLE I—EMERGENCY LIVESTOCK ASSISTANCE

Sec. 101. Assistance for livestock producers.
Sec. 102. Assistance for dairy farmers.

TITLE II—DISASTER PAYMENTS

Sec. 201. Payments to program participants for basic commodities.
Sec. 202. Payments to program nonparticipants for basic commodities.
Sec. 203. Peanuts, sugar, and tobacco.
Sec. 204. Soybeans and nonprogram crops.
Sec. 205. Effect of Federal crop insurance payments.
Sec. 206. Transfer of funds.
Sec. 207. Crops harvested for forage uses.
Sec. 208. Timing and manner of disaster payments.
Sec. 209. Use of Commodity Credit Corporation.
Sec. 210. Payment limitations.

TITLE III—GENERAL PROVISIONS

SUBTITLE A—COMMODITY STOCK ADJUSTMENT

Sec. 301. Soybeans, sunflowers, and cottonseed and sunflower seed oil.
Sec. 302. Oats.
Sec. 303. Producer reserve program for wheat and feed grains.

SUBTITLE B—DISASTER CREDIT AND CREDIT FORBEARANCE

Sec. 311. FmHA farm operating loans.
Sec. 312. Forbearance and restructuring on farm loans.

SUBTITLE C—CONSERVATION AND WATER ASSISTANCE

Sec. 321. Conservation and wildlife enhancement.
Sec. 322. Water-related projects.

SUBTITLE D—RURAL BUSINESSES

Sec. 331. Business and industrial loans.
Sec. 332. Survey of agriculture-related rural businesses and enterprises.

TITLE I—EMERGENCY LIVESTOCK ASSISTANCE

SEC. 101. ASSISTANCE FOR LIVESTOCK PRODUCERS.

(a) IN GENERAL.—The Agricultural Act of 1949 (7 U.S.C. 1421 et seq.) is amended by adding at the end thereof the following new title:

"TITLE VI—EMERGENCY LIVESTOCK FEED ASSISTANCE ACT OF 1988

"SHORT TITLE

"SEC. 601. This title may be cited as the 'Emergency Livestock Feed Assistance Act of 1988'.

"DEFINITIONS

"SEC. 602. As used in this title:

"(1) The term 'livestock producer' means—

"(A) any established producer or husbander of livestock, or dairy producer, who is a citizen of, or legal resident alien in, the United States; or

"(B) any farm cooperative, private domestic corporation, partnership, or joint operation in which a majority interest is held by members, stockholders, or partners who are citizens of, or legal resident aliens in, the United States, if such cooperative, corporation, partnership, or joint operation is engaged in livestock production, dairy production, or husbandry.

"(2) The term 'livestock' means cattle, sheep, goats, swine, poultry (including egg-producing poultry), equine animals used for food or in the production of food, fish used for food, and other animals designated by the Secretary (at the Secretary's sole discretion) that—

"(A) are part of a foundation herd (including producing dairy cattle) or offspring; or

"(B) are purchased as part of a normal operation and not to obtain additional benefits under this title.

"(3) The term 'State' means any State of the United States, the Commonwealth of Puerto Rico, the Virgin Islands, or Guam.

"(4) The term 'feed', for the purposes of emergency feed assistance, means any type of feed (including feed grain, mixed feed, liquid or dry supplemental feed, roughage, pasture, forage) that—

"(A) best suits the livestock producer's operation; and

"(B) is consistent with acceptable feed practices.

"EMERGENCY LIVESTOCK ASSISTANCE

"SEC. 603. The Secretary shall provide emergency feed assistance under this title for the preservation and maintenance of livestock in any State, county, or area of a State, where, because of disease, insect infestation, flood, drought, fire, hurricane, earthquake, storm, hot weather, or other natural disaster that adversely affects livestock or handling of livestock, the Secretary determines that a livestock emergency exists.

"DETERMINATION OF NEED FOR ASSISTANCE

"SEC. 604. (a)(1) Whenever the Governor of a State or a county committee established under section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590(b)) determines that a livestock emergency due to a natural disaster exists in the State or county, the Governor or county committee may submit a request for a determination by the Secretary of a livestock emergency in a State, county, or area and for emergency livestock feed assistance under this title.

"(2) The Governor's or county committee's request for a livestock determination and for emergency livestock feed assistance shall include recommendations to the Secretary of those options that will most fully use fields available through local sources, to the extent feasible.

"(b) The Secretary may consider a State, county, or area in a State for emergency livestock feed assistance under this title whether or not a request for assistance is submitted, as described in subsection (a).

"(c) The Secretary shall act on requests for determinations under subsection (a) and make final determinations on whether a livestock emergency exists in any State, county, or area in accordance with regulations issued by the Secretary that ensure thorough and prompt action and provide for appropriate notification procedures.

"(d)(1) Notwithstanding the preceding provisions of this section, any State, county, or area determined eligible, due to drought or related condition in 1988, for the emergency feed program or emergency feed assistance program prior to the effective date of this title shall continue to be eligible for such program and may be eligible for other programs under this title for such drought or related condition.

"(2) As soon as practicable after the effective date of this title, the Secretary shall determine whether any of the programs described in section 606, other than the emergency feed program and the emergency feed assistance program, should be made available in such State, county, or area. If the Secretary makes such determination, the Secretary shall make such programs immediately available to livestock producers in the State, county, or area.

"ELIGIBLE LIVESTOCK PRODUCERS

"SEC. 605. (a) If the Secretary determines that a livestock emergency exists in a State, county, or area, subject to the limitation on benefits provided in section 609, livestock producers located in such State, county, or area shall be eligible for feed assistance in accordance with the following paragraphs:

"(1) A livestock producer shall be eligible for such assistance if the producer has suffered a substantial loss in feed normally produced on the farm for such producer's livestock as a result of the emergency and does not have sufficient feed that has adequate nutritive value and is suitable for such producer's livestock (as of the date of the request, or initiation of consideration, for a determination of a livestock emergency under section 604) for the estimated duration of the emergency. Such producer shall be eligible for feed assistance under the programs specified in section 606 made available where the producer is located in quantities sufficient to meet the feed deficiency with respect to the producer's livestock normally fed with feed produced by the producer.

"(2) A livestock producer that does not produce feed on the farm or ranch or that produces feed on such producer's farm or ranch but normally not in quantities sufficient to feed all the producer's livestock, with respect to the portion of such producer's livestock not normally fed with feed produced on the farm, such producer shall be eligible for (A) assistance under section 606 for the preservation and maintenance of foundation herds of livestock (including producing dairy cattle) if the producer does not have, and is unable to obtain through normal channels of trade without undue financial hardship, sufficient feed for such livestock as a result of the emergency, as determined by the Secretary, and (B) such other assistance under section 606 as the Secretary, in the Secretary's discretion, determines necessary to alleviate a crisis caused by the livestock emergency.

"(b) Any livestock producer located in a State, county, or area in which benefits under the emergency feed program or the emergency feed assistance program were made available due to the drought or related condition in 1988 prior to the effective date of this title, who qualifies for assistance under such pre-existing program, shall be eligible for assistance for such drought or related condition as prescribed in paragraph (1) (or, at the producer's option, for assistance under such pre-existing programs) and paragraph (2).

"ASSISTANCE PROGRAMS

"SEC. 606. (a) The following assistance programs may be made available by the Secretary under this title, subject to the limitation on benefits under sections 605 and 609, to livestock producers:

"(1) The donation of feed grains held by the Commodity Credit Corporation to producers who are financially unable to purchase feed at market prices or to participate in any other program set forth in this subsection.

"(2) The sale of feed grain held by the Commodity Credit Corporation to producers for livestock feed at a price, established by the Secretary, that does not exceed—

"(A) with respect to assistance provided for drought or related condition in 1988, 75 percent of the current basic county loan rate for such feed grain in effect under this Act (or at a comparable price if there is no such current basic county loan rate), or

"(B) with respect to assistance provided for any other livestock emergency, 50 percent of the average market price, as determined by the Secretary.

"(3) Reimbursement of not to exceed 50 percent of transportation and handling expenses incurred by producers in connection with feed grain donations or sales under paragraph (1) or (2).

"(4) Reimbursement of not to exceed 50 percent of the cost of feed purchased by producers for their livestock during the duration of the livestock emergency.

"(5) Hay transportation assistance of not to exceed 50 percent of the cost of transporting hay purchased from a point of origin beyond such producer's normal trade area to the livestock, subject to the following limitations:

"(A) The transportation assistance may not exceed $50 per ton of eligible hay ($12.50 for silage).

"(B) The quantity of eligible hay may not exceed—

"(i) 20 pounds per day per animal unit; or

"(ii) the lesser of the producer's feed loss or the quantity of additional feed needed for the duration of the livestock emergency.

"(6) Livestock transportation assistance to producers of not to exceed 50 percent of the cost of transporting livestock to and from available grazing locations, subject to the following limitations:

"(A) Transportation assistance may not exceed $24 per head of eligible livestock.

"(B) Transportation assistance may not exceed the lesser of the producer's feed loss or the quantity of additional feed needed for the duration of the livestock emergency.

"(b) If assistance is made available through the furnishing of feed grains under paragraph (1) or (2) of subsection (a), the Secretary may provide for the furnishing of the feed grains through a dealer or manufacturer and the replacing of the feed grains so furnished from feed owned or controlled by the Commodity Credit Corporation.

"(c) In providing assistance under paragraph (2) or (4) of subsection (a), the Secretary may make in-kind payments through the issuance of negotiable certificates that the Commodity Credit Corporation shall exchange for a commodity in accordance with the rules prescribed by the Secretary.

"ADDITIONAL ASSISTANCE

"SEC. 607. (a) In addition to the assistance provided under section 606, if the Secretary determines that the livestock emergency in a State, county, or area also requires the provision of the assistance described in subsection (b), the Secretary shall provide such assistance.

"(b) Special assistance under this section includes—

"(1) the donation of feed held by the Commodity Credit Corporation with respect to livestock stranded and unidentified as to its owner, including the cost of transporting feed to the affected area, during such period as the Secretary shall by rule prescribe;

"(2) emergency water assistance to eligible farmers and ranchers for livestock under the program designated ECP EC-6 by the Department of Agriculture; and

"(3) making Commodity Credit Corporation catalog commodities available to producers through the use of catalog lots of a size that it is economically feasible for small producers to purchase.

"USE OF THE COMMODITY CREDIT CORPORATION

"SEC. 608. The Secretary shall carry out this title through use of the funds, facilities, and authorities of the Commodity Credit Corporation.

"PAYMENT LIMITATION

"SEC. 609. (a) For each livestock disaster, the total amount of benefits that a person receives under one or more of the programs established under section 606 of this title may not exceed $50,000.

"(b) The Secretary shall issue regulations—

"(1) defining the term 'person' in conformity, to the extent practicable, to the regulations defining the term 'person' issued under section 1001 of the Food Security Act of 1985 (7 U.S.C. 1308), or a successor statute; and

"(2) prescribing such rules as the Secretary determines necessary to ensure a fair and reasonable application of the limitation established under this section.

"(c) No person may receive benefits under this title attributable to lost production of a feed commodity due to the drought or related condition in 1988 to the extent that such person receives a disaster payment on such lost production.

"(d) Each person otherwise eligible for a livestock emergency benefit under this title for the drought or related condition in 1988 shall be subject to the combined payment and benefits limitation established under section 206(d) of the Drought Assistance Act of 1988.

"REGULATIONS

"SEC. 610. The Secretary shall issue regulations to carry out this title. Such regulations shall establish procedures to ensure that the request for assistance by a State, county, or area under section 604 and individual applications of livestock producers under section 605 for assistance are processed, and decisions thereon are made, as quickly as practicable.

"PENALTIES

"SEC. 611. (a) Any livestock producer who disposes of any feed made available to such producer under this title other than as authorized by the Secretary shall be subject to a civil penalty equal to the market value of the feed involved, to be recovered by the Secretary in a civil suit brought for that purpose.

"(b) Any livestock producer who disposes of any feed made available to such producer under this title other than as authorized by the Secretary shall be subject to a fine of not more than $1,000 or imprisonment for not more than 1 year, or both.".

(b) CONFORMING AMENDMENTS.—

(1) Section 1105 of the Food and Agricultural Act of 1977 (7 U.S.C. 2267) is repealed.

(2) Section 407 of the Agricultural Act of 1949 (7 U.S.C. 1427) is amended by striking out "and may make feed owned or controlled by it" in the fifth sentence and all that follows through period at the end of the sixth sentence and inserting in lieu thereof "and may donate or sell commodities in accordance with title VI.".

(3) Section 421 of the Agricultural Act of 1949 (7 U.S.C. 1433) is repealed.

(4) Public Law 86-299 (7 U.S.C. 1427 note) is repealed.

(5) Section 303 of the Dairy and Tobacco Adjustment Act of 1983 (7 U.S.C. 1427 note) is repealed.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—This section and the amendments made by this section shall become effective 15 days after the date of enactment of this Act.

(2) APPLICATION.—The provisions of section 604(d), 605(3), and 609(d) of the Agricultural Act of 1949, as added by subsection (a), shall apply only with respect to any livestock emergency caused by the drought or related condition in 1988.

SEC. 102. ASSISTANCE FOR DAIRY FARMERS.

Section 201(d)(1) of the Agricultural Act of 1949 (7 U.S.C. 1446(d)(1)) is amended by striking out "if for any of the calendar years 1988, 1989, and 1990" and inserting in lieu thereof "if for each of the calendar years 1988 and 1990".

TITLE II—DISASTER PAYMENTS

SEC. 201. PAYMENTS TO PROGRAM PARTICIPANTS FOR BASIC COMMODITIES.

(a) DISASTER PAYMENTS.—

(1) IN GENERAL.—Effective only for producers on a farm who elected to participate in the production adjustment program established under the Agricultural Act of 1949 (7 U.S.C. 1421 et seq.) for the 1988 crop of wheat, feed grains, upland cotton, extra long staple cotton, or rice, except as otherwise provided in this subsection, if the Secretary of Agriculture (hereinafter referred to in this title as the "Secretary") determines that because of drought or related condition in 1988, the total quantity of the 1988 crop of the commodity that such producers are able to harvest on such farm is less than the result of multiplying 65 percent of the farm program payment yield established by the Secretary for such crop by the acreage planted for harvest (or prevented from being planted because of drought or related condition in 1988, as determined by the Secretary) for such crop, the Secretary shall make a disaster payment available to such producers at a rate equal to

65 percent of the established price for the crop for the deficiency in production below 65 percent for the crop.

(2) MAXIMUM NUMBER OF ELIGIBLE ACRES.—Payments provided under paragraph (1) for a crop of a commodity shall not be made available with respect to any acreage in excess of the permitted acreage for the farm for the commodity.

(3) RELATIONSHIP TO DEFICIENCY PAYMENTS.—The total quantity on which deficiency payments would otherwise be payable to producers on a farm for a crop of the commodity under the Agricultural Act of 1949 (7 U.S.C. 1421 et seq.) shall be reduced by the quantity on which any payment is made to the producer for the crop under paragraph (1).

(4) ELECTION.—Effective only for the 1988 crops of wheat and feed grains, in the case of producers on a farm who elected after March 11, 1988, to devote all or a portion of the permitted acreage of the farm for the commodity to conservation or other uses in accordance with section 107D(c)(1)(C) or 105C(c)(1)(B) of the Agricultural Act of 1949 (7 U.S.C. 1445b–3(c)(1)(C) or 1444e(c)(1)(B)), the Secretary shall allow such producers to elect (within 30 days after the date of enactment of this Act) whether to receive disaster payments in

accordance with this subsection in lieu of receiving payments under such section.

(b) ADVANCE DEFICIENCY PAYMENTS.—

(1) FORGIVENESS.—Effective only for producers described in subsection (a)(1), if, because of drought or related condition in 1988, the total quantity of a crop of the commodity that the producers are able to harvest on the farm is less than the result of multiplying the farm program payment yield established by the Secretary for such crop by the acreage planted for harvest for such crop, the producer shall not be required to refund any advance deficiency payment made available for such crop under section 107C of the Agricultural Act of 1949 (7 U.S.C. 144b–2) with respect to any deficiency in production up to 35 percent for the crop.

(2) ELECTION.—The Secretary shall allow producers on a farm who elected to participate in the production adjustment program established for the 1988 crop of wheat, feed grains, upland cotton, extra long staple cotton, or rice, but who elected prior to the date of enactment of this Act not to receive advance deficiency payments made available for the 1988 crop year under section 107C of such Act, to elect (within 30

days after the date of enactment of this Act) whether to receive such advance deficiency payments.

SEC. 202. PAYMENTS TO PROGRAM NONPARTICIPANTS FOR BASIC COMMODITIES.

(a) DISASTER PAYMENTS.—Effective only for producers on a farm who elected not to participate in the production adjustment program established under the Agricultural Act of 1949 (7 U.S.C. 1421 et seq.) for the 1988 crop of wheat, feed grains, upland cotton, extra long staple cotton, or rice, except as provided in subsection (b), if the Secretary determines that because of drought or related condition in 1988, the total quantity of the 1988 crop of the commodity that such producers are able to harvest on such farm is less than the result of multiplying 65 percent of the county average yield established by the Secretary for such crop by the sum of the acreage planted for harvest and the acreage for which prevented planted credit is approved by the Secretary for such crop, the Secretary shall make a disaster payment available to such producers at a rate equal to 65 percent of the basic county loan rate (or a comparable price if there is no current basic county loan rate) for the crop, as determined by the Secretary, for the deficiency in production below 65 percent for the crop.

(b) LIMITATIONS.—

(1) PREVENTED PLANTING CREDIT.—The Secretary shall provide prevented planting credit under subsection (a) with respect to acreage that producers on a farm were prevented from planting because of drought or related condition in 1988, as determined by the Secretary, but not in excess of the quantity of acreage planted (or prevented from being planted because of a natural disaster or other condition beyond the control of the producers, as determined by the Secretary) to the commodity on the farm during the 1987 crop year minus acreage actually planted to the commodity during the 1988 crop year. The Secretary shall make appropriate adjustments in applying the limitation contained in the preceding sentence to take into account rotation practices of the producers.

(2) ACREAGE LIMITATION FACTOR.—The amount of payments made available to producers of a crop of a commodity under this section shall be reduced by a factor equivalent to the acreage limitation percentage established for the crop under the Agricultural Act of 1949 (7 U.S.C. 1421 et seq.).

SEC. 203. PEANUTS, SUGAR, AND TOBACCO.

(a) DISASTER PAYMENTS.—Effective only for the 1988 crop of peanuts, sugar beets, sugarcane, or tobacco, if the Secretary determines that because of drought or related condition in 1988, the total quantity of the 1988 crop of the commodity that the producers on a farm are able to harvest is less than the result of multiplying 65 percent of the county average yield (or program yield, in the case of peanuts and tobacco) established by the Secretary for such crop by the acreage planted for harvest and the acreage for which prevented planted credit is approved by the Secretary for such crop, the Secretary shall make a disaster payment available to such producers at a rate equal to the applicable payment rate, as determined by the Secretary, for the deficiency in production below 65 percent for the crop.

(b) PAYMENT RATE.—For purposes of subsection (a), the payment rate for a commodity shall be equal to 65 percent of—

(1) in the case of peanuts and tobacco, the basic county loan rate (or a comparable price if there is no current basic county loan rate) for the crop, as determined by the Secretary; and

(2) in the case of sugar beets and sugarcane, a rate determined by the Secretary to be fair and reasonable in relation to the level of price support that is established for the 1988 crop of sugar beets and sugarcane.

(c) PREVENTED PLANTING CREDIT.—The Secretary shall provide prevented planting credit under subsection (a) with respect to acreage that producers on a farm were prevented from planting because of drought or related condition in 1988, as determined by the Secretary, but not in excess of the quantity of acreage planted (or prevented from being planted because of a natural disaster or other condition beyond the control of the producers, as determined by the Secretary) to the commodity on the farm during the 1987 crop year minus acreage actually planted to the commodity during the 1988 crop year. The Secretary shall make appropriate adjustments in applying the limitation contained in the preceding sentence to take into account rotation practices of the producers.

(d) SPECIAL RULES FOR PEANUTS.—Notwithstanding any other provision of law—

(1) a deficiency in production of quota peanuts from a farm as otherwise determined under this section shall be reduced by the quantity of peanut poundage quota that was the basis of such anticipated production that has been transferred from the farm;

(2) payments made under this section shall be taken into account whether the deficiency for which the deficiency in production is claimed was a deficiency in production of quota or additional peanuts and the payment rate shall be established accordingly; and

(3) the amount of undermarketings of quota peanuts from a farm for the 1988 crop that may otherwise be claimed under section 358 of the Agricultural Adjustment Act of 1938 (7 U.S.C. 1358) for purposes of future quota increases shall be reduced by the quantity of the deficiency of production of such peanuts for which payment has been received under this section.

SEC. 204. SOYBEANS AND NONPROGRAM CROPS.

(a) DISASTER PAYMENTS.—Effective only for the 1988 crop of soybeans or any nonprogram crop, if the Secretary determines that because of drought or related condition in 1988, the total quantity of the 1988 crop of the commodity that the producers on a farm are able to harvest is less than the result of multiplying 65 percent of the county or area average yield (subject to the provisions of subsection (d)), as determined by the Secretary, for such crop by the sum of the acreage planted for harvest and the acreage for which prevented planted credit is approved by the Secretary for such crop, the Secretary shall make a disaster payment available to such producers at a rate equal to the applicable payment rate, as determined by the Secretary, for the deficiency in production below 65 percent for the crop.

(b) PAYMENT RATE.—For purposes of subsection (a), the payment rate for a commodity shall equal 65 percent of the simple average price received by producers of the commodity, as determined by the Secretary, during the marketing years for the immediately preceding five crops of the commodity, excluding the year in which the average price was the highest and the year in which the average price was the lowest in such period.

(c) PREVENTED PLANTING CREDIT.—The Secretary shall provide prevented planting credit under subsection (a) with respect to acreage that producers on a farm were prevented from planting because of drought or related condition in 1988, as determined by the Secretary, but not in excess of the quantity of acreage planted (or prevented from being planted because of a natural disaster or other condition beyond the control of the producers, as determined by the Secretary) to the commodity on the farm during the 1987 crop year minus acreage actually planted to the commodity during the 1988 crop year. The Secretary shall make appropriate adjustments in applying the limitation contained in the preceding sentence to take into account rotation practices of the producers.

(d) DEFINITION.—As used in this section, the term "nonprogram crop" means—

(1) all crops insured directly or indirectly by the Federal Crop Insurance Corporation for crop year 1988; and

(2) other commercial crops for which such insurance was not available for purchase or, if available, was not purchased by such producers for crop year 1988, if—

(A) in accordance with rules and regulations issued by the Secretary, producers of such crops provide satisfactory evidence of actual crop yield for at least one of the immediately preceding 3 crop years, except that if such data does not exist for any of the 3 preceding crop years the Secretary shall use county average crop yield data; and

(B) such producers provide satisfactory evidence of 1988 crop year losses resulting from drought or related condition in 1988 exceeding 65 percent of the crop yield established in subparagraph (A),

except that such term shall not include a crop covered in sections 201 through 203 or a crop of soybeans.

SEC. 205. EFFECT OF FEDERAL CROP INSURANCE PAYMENTS.

In the case of producers on a farm who obtained crop insurance for the 1988 crop of a commodity under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.), the Secretary shall reduce the amount of payments made available for such crop under this title to the extent that—

(1) the amount determined by adding the net amount of crop insurance indemnity payments (gross indemnity less premium paid) received by such producers for the loss of production of the crop and the payment determined in accordance with this title; exceeds

(2) the amount determined by multiplying—

(A) 100 percent of the commodity yield used for the calculation of payments made under this title; by

(B) the sum of the acreage of each such crop planted to harvest and the acreage for which prevented planting credit is approved by the Secretary; by

(C)(i) in the case of producers on a farm who participated in a production adjustment program for the 1988 crop of wheat, feed grains, upland cotton, extra long staple cotton, or rice, the established price for the 1988 crop of the commodity;

(ii) in the case of producers on a farm who did not participate in a production adjustment program for the 1988 crop of wheat, feed grains, upland cotton, extra long staple cotton, or rice and producers of sugar beets, sugarcane, peanuts, or tobacco, the loan level established for the 1988 crop of the commodity; and

(iii) in the case of producers on a farm of soybeans or a nonprogram crop (as defined in section 204(d)), the simple average price received by producers of the commodity, as determined by the Secretary, during the marketing years for the immediately preceding five crops of the commodity, excluding the year in which the average price was the highest and the year in which the average price was the lowest in such period.

SEC. 206. TRANSFER OF FUNDS.

The Secretary may transfer funds made available to the Commodity Credit Corporation during fiscal year 1988 to the Agricultural Stabilization and Conservation Service in such amounts as may be necessary for salaries and other expenses incurred in carrying out this title.

SEC. 207. CROPS HARVESTED FOR FORAGE USES.

Not later than 15 days after the date of enactment of this Act, the Secretary shall announce the terms and conditions by which producers on a farm may prove yield with respect to crops that will be harvested for silage and other forage uses.

SEC. 208. TIMING AND MANNER OF DISASTER PAYMENTS.

(a) TIMING.—The Secretary shall make disaster payments available under this title as soon as practicable after the date of enactment of this Act.

(b) MANNER.—The Secretary may make payments available under this title in the form of cash, commodities, or commodity certificates, as determined by the Secretary.

SEC. 209. USE OF COMMODITY CREDIT CORPORATION.

The Secretary shall use the funds, facilities, and authorities of the Commodity Credit Corporation in carrying out this title.

SEC. 210. PAYMENT LIMITATIONS.

(a) DISASTER PAYMENTS.—Subject to subsection (c), the total amount of payments that a person receives under one or more of the programs established under this title may not exceed $100,000.

(b) DEFINITION OF PERSON.—The Secretary shall issue regulations—

(1) defining the term "person" in conformity, to the extent practicable, to the regulations defining the term "person" issued under section 1001 of the Food Security Act of 1985 (7 U.S.C. 1308); and

(2) prescribing such rules as the Secretary determines necessary to ensure a fair and reasonable application of the limitation established under this section.

(c) RELATIONSHIP TO LIVESTOCK EMERGENCY BENEFITS.—No person may receive disaster payments attributable to lost production of a commodity due to the drought or related condition in 1988 under this title to the extent that such person receives a livestock emergency benefit on such lost production under title VI of the Agricultural Act of 1949 (as added by section 101(a) of this Act).

(d) COMBINED LIMITATION.—A person may not receive any payment under this title or benefit under title VI of the Agricultural Act of 1949 for livestock emergency losses suffered due to the drought or related condition in 1988 if such payment or benefit would cause the total amount of such payments and benefits received by such person to exceed $100,000. If a person is subject to the preceding sentence, the person may elect (subject to the benefits limit under title VI of such Act) whether to receive the $100,000 in such payments, or such livestock emergency benefits, or a combination of payments and benefits specified by such person.

(e) REGULATIONS.—The Secretary shall issue regulations to equitably and efficiently implement the requirements of this section.

TITLE III—GENERAL PROVISIONS

Subtitle A—Commodity Stock Adjustment

SEC. 301. SOYBEANS, SUNFLOWERS, AND COTTONSEED AND SUNFLOWER SEED OIL.

(a) PLANTING OF SOYBEANS AND SUNFLOWERS ON PERMITTED ACRES.—Section 504 of the Agricultural Act of

1949 (7 U.S.C. 1464) is amended by adding at the end thereof the following new subsection:

"(e)(1) Notwithstanding any other provision of this Act, effective only for the 1989 and 1990 crops, if an acreage limitation program is in effect for a crop under this Act, the Secretary shall permit producers to plant soybeans or sunflowers on not less than 10 percent, nor more than 35 percent, of the permitted acreage for the crop, as determined by the Secretary.

"(2) For purposes of determining the farm acreage base or the crop acreage base for the crop, any acreage on the farm on which soybeans or sunflowers are planted under this subsection shall be taken into account as if such acreage had been planted to the program crop for which the soybeans or sunflowers were substituted.".

(b) COTTONSEED AND SUNFLOWER SEED OIL.—

(1) EXPORT ASSISTANCE.—It is the sense of Congress that if the price of cottonseed or sunflower seed oil is adversely affected by the amendment made by subsection (a), the Secretary of Agriculture should provide export and other assistance for cottonseed and sunflower seed oil to offset such adverse effects.

(2) FUNDING.—Section 637 of the joint resolution entitled "A joint resolution making further continuing appropriations for the fiscal year 1988, and for other

purposes", approved December 22, 1987 (Public Law 100–202; 101 Stat. 1329–1357), is amended by striking out "sunflower oil" both places it appears and inserting in lieu thereof "sunflower and cottonseed oil".

SEC. 302. OATS.

(a) FARM ACREAGE BASES.—Section 503 of the Agricultural Act of 1949 (7 U.S.C. 1463) is amended by adding at the end thereof the following new subsection:

"(c)(1) Notwithstanding any other provision of this Act, effective only for 1989 and 1990 crops, if the acreage limitation percentage established for the 1989 or 1990 crop of feed grains under section 105C(f) is less than 12.5 percent, the Secretary shall permit producers on a farm to designate any portion of the farm acreage base (excluding any portion designated as soybean acreage base) as acreage base established for oats.

"(2) Producers on a farm who redesignate any portion of a farm acreage base as oats acreage base under paragraph (1) shall reduce by an equivalent quantity one or more crop acreage bases (excluding any crop acreage base established for soybeans) established for the farm for such crop year.".

(b) SENSE OF CONGRESS.—It is the sense of Congress that if the acreage limitation requirement established for the 1989 or 1990 crop of feed grains under section 105C(f) of the Agricultural Act of 1949 (7 U.S.C. 1444e(f)) is 12.5 percent or more, the Secretary should establish the lowest possible acreage limitation requirement for oats under section 105C(f) of such Act if market imbalances for barley and oats exist.

SEC. 303. PRODUCER RESERVE PROGRAM FOR WHEAT AND FEED GRAINS.

(a) Repayment of Loans.—Effective for the 1988 marketing year for wheat or feed grains, if the conditions described in clause (4) of the third sentence of section 110(b) of the Agricultural Act of 1949 (7 U.S.C. 1445e(b)) have been met at any time during the marketing year for such commodity, producers may repay loans made under section 110(b) of such Act for such commodity without payment of additional interest or other charges provided for under clause (4) of the third sentence of section 110(b) of such Act, regardless of the market price.

(b) Storage Payments and Interest.—If during the 1988 marketing year the Secretary allows producers to place wheat or feed grains into the producer reserve established under section 110(b) of such Act, the Secretary shall not make storage payments or forgive interest charges during the remainder of such marketing year with respect to quantities of such commodity that the producers place into the reserve during such marketing year.

Subtitle B—Disaster Credit and Forbearance

SEC. 311. FmHA FARM OPERATING LOANS.

(a) Direct Loans.—The Secretary of Agriculture shall ensure, to the maximum extent practicable, that direct operating loans made or insured under subtitle B of the Consolidated Farm and Rural Development Act (7 U.S.C. 1941 et seq.) for 1989 crop production are made available to farmers and ranchers suffering major losses due to the drought or related condition in 1988, as authorized under existing law and under rules and regulations of the Secretary that implement the objective of enabling farmers and ranchers to stay in business.

(b) Guaranteed Loans.—The Secretary shall make available in fiscal year 1989 guarantees for operating loans under subtitle B of such Act, as authorized under such Act, to commercial or cooperative lenders, in addition to the other purposes for which guarantees may be provided for such loans, to refinance and reamortize 1988 operating debt of farmers and ranchers that otherwise cannot be repaid due to major losses incurred by such farmers or ranchers as a result of the drought or related condition in 1988. Each such guaranteed loan shall contain terms and condition governing reamortization, with respect to the 1988 operating debt of the farmer or rancher, that will provide the farmer or rancher a reasonable opportunity to continue to receive new operating credit, while repaying the guaranteed loan, as determined by the Secretary.

SEC. 312. FORBEARANCE AND RESTRUCTURING ON FARM LOANS.

It is the sense of Congress that the Secretary of Agriculture should, with respect to farmers and ranchers who suffer major losses due to the drought or related condition in 1988—

(1) exercise forbearance in the collection of interest and principal on direct farmer program loans made or insured under the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) that are outstanding on the date of enactment of this Act for such farmers and ranchers;

(2) expedite the use of credit restructuring and other credit relief mechanisms authorized under the Agricultural Credit Act of 1987 (Public Law 100–233) and similar provisions of law for such farmers and ranchers; and

(3) encourage commercial lenders participating in guaranteed farmer lending programs to exercise forbearance before declaring such loans in default.

Subtitle C—Conservation and Water Assistance

SEC. 321. CONSERVATION AND WILDLIFE ENHANCEMENT.

(a) In General.—In the case of an owner or operator who has entered into a contract under subtitle D of title XII of the Food Security Act of 1985 (16 U.S.C. 3831 et seq.) and harvests hay during the 1988 crop year on acreage subject to such contract as authorized by the Secretary of Agriculture, the Secretary shall not reduce the amount of rental payments made to such owner or operator as the result of such harvesting to the extent that the owner or operator—

(1) carries out conservation practices to enhance soil, water, and wildlife conservation practices on and in the vicinity of lands subject to the such contract in accordance with a conservation plan approved by the Soil Conservation Service in consultation with appropriate Federal and State agencies; and

(2) shares the cost of carrying out such practices.

(b) Conservation Practices.—For purposes of subsection (a), the term "conservation practices" includes—

(1) establishment of permanent shelterbelts and windbreaks;

(2) restoration of wetlands;

(3) establishment of wildlife food plots; or

(4) planting of trees.

SEC. 322. WATER-RELATED PROJECTS.

(a) In General.—The Secretary of Agriculture is authorized (directly or in coordination with any other Federal agency, entity, corporation, department, unit of State or local government, cooperative, confederation, individual, public or private organization, or university) to conduct research and demonstration projects, provide technical assistance and extension services, make grants, loans, loan guaranties, and provide other forms of assistance to alleviate problems arising from droughts or lack of water that inhibit economic growth or adversely affect the quality of life in rural areas.

(b) Activities.—The Secretary is authorized to provide assistance under this section for the promotion or establishment of irrigation, watersheds, and other water management and drought management activities.

(c) Cooperation.—In taking action in accordance with this section, the Secretary—

(1) should address the general, special, or unique problems of water management existing in rural areas; and

(2) may carry out such action in cooperation with Federal, State, public, or private agencies and organizations.

(d) Regulations.—The Secretary shall promulgate regulations to carry out this section.

(e) DEFINITION.—As used in this section, the term "university" means—

(1) a land grant university established under the Act of July 2, 1862 (known as the "First Morrill Act"; 12 Stat. 503, chapter 130; 7 U.S.C. 301 et seq.);

(2) a land grant university established under the Act of August 30, 1890 (known as the "Second Morrill Act"; 26 Stat. 419, chapter 841; 7 U.S.C. 321 et seq.);

(3) the Tuskegee University; and

(4) any other support research organization.

(f) FUNDING.—

(1) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated each fiscal year such sums as are necessary to carry out this section.

(2) NON-FEDERAL SOURCES.—The Secretary is authorized to accept funds from non-Federal sources to carry out the activities authorized by this section.

Subtitle D—Rural Businesses

SEC. 331. BUSINESS AND INDUSTRIAL LOANS.

To the maximum extent practicable, the Secretary of Agriculture shall make available in fiscal year 1989 rural industrialization loans, as authorized under section 310B of the Consolidated Farm and Rural Development Act (7 U.S.C. 1932), to assist rural businesses and enterprises directly and adversely affected by the drought or related condition in 1988. Any such drought-related rural industrialization loan may be made only if the loan otherwise meets the terms and conditions relating to eligibility established under section 310B of such Act and the Secretary determines that making the loan will serve to meet the original purpose of the rural industrialization loan program to prevent the loss of, or create, rural employment opportunities.

SEC. 332. SURVEY OF AGRICULTURE-RELATED RURAL BUSINESSES AND ENTERPRISES.

Not later than 90 days after the date of enactment of this Act, the Secretary shall—

(1) conduct a survey of rural businesses and enterprises in the United States whose activities involve or are directly related to the production, processing, and marketing of agricultural commodities and products, or to servicing the business and home needs of United States farmers and ranchers, to determine the extent that such businesses are being adversely affected by the drought or related condition in 1988; and

(2) submit a report describing the results of such survey to the Committee on Agriculture of the House

of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate.

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